MONTANA LEGISLATIVE HISTORY

Chapter 199 1981

Bill H _____ S 16 Original bill & history ✓ C

H. Committee on Natural Resources

Hearing Date(s) h 3/4 ___C

v 3/13 ___C

_____ ___C

_____ ___C

Date Out _____ ___C

S. Committee on Natural Resource

Hearing Date(s) h 1/28 ___C

v 2/6 ___C

_____ ___C

_____ ___C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

SENATE BILL NO. 16

INTRODUCED BY SMITH

IN THE SENATE

January 5, 1981	Introduced and referred to Committee on Natural Resources.
February 6, 1981	Committee recommend bill do pass as amended. Report adopted.
February 9, 1981	Bill printed and placed on members' desks.
February 10, 1981	Second reading, do pass.
February 11, 1981	Correctly engrossed.
February 12, 1981	Third reading, passed. Ayes, 49; Noes, 0. Transmitted to House.

IN THE HOUSE

February 13, 1981	Introduced and referred to Committee on Natural Resources.
March 14, 1981	Committee recommend bill be concurred in. Report adopted.
March 18, 1981	Second reading, concurred in.
March 20, 1981	Third reading, concurred in. Ayes, 92; Noes, 1.

IN THE SENATE

March 21, 1981	Returned from House. Concurred in. Sent to enrolling.
	Reported correctly enrolled.

SENATE BILL NO. 16

INTRODUCED BY SMITH

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE MINERAL DEVELOPERS TO GIVE WRITTEN NOTICE TO SURFACE OWNERS OF INTENT TO BEGIN DRILLING OPERATIONS; TO REQUIRE MINERAL DEVELOPERS TO COMPENSATE SURFACE OWNERS FOR DAMAGES CAUSED BY DRILLING OPERATIONS; AND TO ALLOW SUCH COMPENSATION TO BE MADE IN ANNUAL INSTALLMENTS UNDER CERTAIN CONDITIONS."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Purpose -- legislative findings. (1) The purpose of [this act] is to provide for the protection of surface owners of land underlain with oil and gas reserves while allowing for the necessary development of those reserves.

(2) To carry out the purpose described in subsection (1), the legislature finds that:

(a) it is necessary to exercise the power of the state to protect the public welfare of Montana, which is largely dependent on agriculture, and to protect the economic well-being of individuals engaged in agricultural production;

(b) exploration for and development of oil and gas reserves in this state, while necessary, interferes with the

use, agricultural or otherwise, of the surface of certain land; and

(c) owners of the surface estate and other persons should be justly compensated for injury to their persons or property and interference with the use of their property due to oil and gas development.

Section 2. Definitions. As used in [this act], the following definitions apply:

(1) "Agricultural production" means the production of any growing grass or crop attached to the surface of the land, whether or not the grass or crop is to be sold commercially, and the production of any farm animals, whether or not the animals are to be sold commercially.

(2) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

(3) "Drilling operations" means the exploration for or drilling of an oil and gas well that requires entry upon the surface estate and is begun subsequent to [the effective date of this act] and the production operations directly related to the exploration or drilling.

(4) "Mineral developer" means the person who acquires the mineral estate or lease for the purpose of extracting or using the minerals for nonagricultural purposes.

(5) "Mineral estate" means an estate in or ownership of all or part of the minerals underlying a specified tract of

INTRODUCED BILL

SB16

land.

(6) "Minerals" means oil and gas.

(7) "Surface estate" means an estate in or ownership of the surface of a particular tract of land.

(8) "Surface owner" means the person who has possession of the surface of the land either as an owner or as a tenant.

Section 3. Notice of drilling operations. In addition to the requirements for geophysical exploration activities governed by Title 82, chapter 1, part 1, the mineral developer shall give the surface owner written notice of the drilling operations that he plans to undertake. This notice shall be given to the record surface owner at his address as shown by the records of the county clerk and recorder at the time the notice is given. This notice shall sufficiently disclose the plan of work and operations to enable the surface owner to evaluate the effect of drilling operations on the surface owner's use of the property. Included with this notice shall be a form prepared by the board advising the surface owner of his rights and options under [this act].

Section 4. Surface damage and disruption payments. The mineral developer shall pay the surface owner a sum of money equal to the amount of damages sustained by the surface owner for loss of agricultural production and income, lost

land value, and lost value of improvements caused by drilling operations. The amount of damages may be determined by any formula mutually agreeable between the surface owner and the mineral developer. When determining damages, consideration shall be given to the period of time during which the loss occurs. The surface owner may elect to be paid damages in annual installments over a period of time; except that the surface owner shall be compensated by a single sum payment for harm caused by exploration only. The payments contemplated by this section may only cover land directly affected by drilling operations. Payments under this section are intended to compensate the surface owner for damage and disruption; no person may reserve or assign that compensation apart from the surface estate except to a tenant of the surface estate.

Section 5. Damages for negligence and nuisance. The mineral developer is responsible for all damages to person or property, real or personal, resulting from the lack of ordinary care by the mineral developer. The mineral developer is also responsible for all damages to person or property, real or personal, resulting from a nuisance caused by drilling operations.

Section 6. Notification of injury. To receive compensation under [this act], a person shall notify the mineral developer of the damages sustained by the person

within 2 years after the injury occurs or would become apparent to a reasonable man.

Section 7. Agreement -- offer of settlement. Unless both parties provide otherwise by written agreement, within 60 days after the mineral developer receives notice of damages pursuant to [section 6], he shall make a written offer of settlement to the person seeking compensation for the damages. The person seeking compensation may accept or reject any offer.

Section 8. Rejection -- legal action -- fees and costs. If the person seeking compensation receives a written rejection, rejects the offer of the mineral developer, or receives no reply, that person may bring an action for compensation in the district court of the county in which the damage was sustained. If the amount of compensation awarded by the court is greater than that which had been offered by the mineral developer, the court shall award the person seeking compensation reasonable attorney fees and any costs assessed by the court.

Section 9. Remedies cumulative. The remedies provided by [this act] do not preclude any person from seeking other remedies allowed by law.

Section 10. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in

one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

-End-

SB16

FORTY-SEVENTH LEGISLATIVE SESSION

SENATE BILLS

COMMITTEE ON NATURAL RESOURCES

BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CONCURRED IN DATE	BE CONC. IN AS AMENDED DATE	EE NOT CONCURRED IN DATE
16	1/8/81	1/28/81	2/4/81			2/4/81			
65	1/8/81	1/30/81	let die						
80	1/8/81	1/28/81	2/2/81	2/2/81					
95	1/10/81	1/23/81	1/23/81		1/23/81				
123	1/14/81	1/26/81	1/31/81			1/31/81			
138	1/15/81	2/2/81	2/13/81			2/13/81			
139	1/15/81	2/2/81	2/13/81			2/13/81			
140	1/15/81	2/2/81	2/13/81			2/13/81			
141	1/15/81	1/23/81	1/23/81			1/23/81			
165	1/17/81	1/28/81	2/2/81			2/2/81			
196	1/21/81	2/2/81	2/13/81	2/13/81					
205	1/20/81	2/4/81	2/6/81		2/6/81				
229	1/21/81	2/2/81	2/13/81			2/13/81			
244	1/22/81	2/6/81	2/6/81	2/6/81					
258	1/23/81	2/11/81	2/20/81			2/20/81			
278	1/26/81	2/6/81	2/6/81	2/6/81					

(Use Separate Sheet for Senate, House Bills, and Resolutions)

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MAY 5 1981

MINUTES OF MEETING
SENATE NATURAL RESOURCES
January 28, 1981

The fourth meeting of the Natural Resources Committee was called to order by Senator Mark Etchart, Vice Chairman at 1:00 P.M., on the above date in Room 405 of the State Capitol Building.

ROLL CALL: Upon roll call, all members were present with the exception of Senators Dover, Elliott, Brown and Manning. Senator Dover will join the meeting at 1:30 P.M.

CONSIDERATION OF SB 80:

AN ACT SPECIFICALLY EXEMPTING PEAT MINING FROM THE HARD-ROCK MINING ACT

Vice Chairman Etchart asked Senator Turnage to present this bill. Senator Turnage, District #13, explained that the bill would exempt the harvesting of peat from the Hard-Rock Mining Act. That peat would not be considered a mineral under this act. Senator Turnage asked David Hudak, Manager, Martin's Peat, Inc. to testify on this matter. (see testimony attached)

Vice Chairman Etchart asked for any other proponents to this bill. There being no other proponents he than asked for opponents. There were no opponents. Vice Chairman Etchart asked for questions from the committee.

Senator Tveit asked how peat was mined.

David Hudak said it was usually mined with a dragline from the surface. Martins bog is a few acres in size and will be 15 feet at the deepest. When the peat is taken out it will become a lake again.

Clyde Tompkins, Polson, Montana, testified on behalf of this bill. He showed a sample of peat and said it was a renewable resource not a mineral. The Tompkins bog is a 70 acre meadow and when they get done it will be a 70 acre lake. Mr. Tompkins furnished photographs of his bog, which are attached.

Senator O'Hara asked where else peat comes from.

Senator Turnage said mainly in Canada and there is an operation in Ravalli County.

Senator Keating asked if the lake could be used for recreational purposes after the peat is out.

David Hudak said it could be. Most owners of bogs must go in after the peat is out and clean out area to look like original lake.

Senator Van Valkenburg stated the need for this bill is that there is an exemption for under five acres and they will be expanding beyond five acres. Are there any regulations that deal with peat under 5 acres?

Senator Turnage said not that he knows of. The only regulation is that you have to reclaim the land, especially on federal land.

CONSIDERATION OF SB 165:

AN ACT TO PROVIDE FOR COMPENSATORY ROYALTIES IN LIEU OF OFFSET DRILLING ON STATE OIL AND GAS LEASES

Senator Smith, District #1, gave a brief explanation of this bill and then asked for testimony from David Woodgerd, Department of State Lands. Mr. Woodgerd furnished a written statement which is attached.

Vice Chairman Etchart asked for any other proponents. There being no other proponents Vice Chairman Etchart asked for opponents. There were no opponents.

CONSIDERATION OF SB 16: Vice Chairman Etchart turned the meeting over to Chairman Dover.

AN ACT TO REQUIRE MINERAL DEVELOPERS TO GIVE WRITTEN NOTICE TO SURFACE OWNERS OF INTENT TO BEGIN DRILLING OPERATIONS; TO REQUIRE MINERAL DEVELOPERS TO COMPENSATE SURFACE OWNERS FOR DAMAGES CAUSED BY DRILLING OPERATIONS; AND TO ALLOW SUCH COMPENSATION TO BE MADE IN ANNUAL INSTALLMENTS UNDER CERTAIN CONDITIONS

Senator Smith, District #1, introduced this bill and submitted written testimony from the following: Russell Denowh, Sidney; David Kasten, Brockway; List of People from Westby; Glen Childers, Circle; James Nordhagen, Westby; Robert J. Coon, Sidney. Senator Smith also passed around amendments proposed to this bill and a copy of a news article on North Dakota law relative to this subject. (see attached)

Chairman Dover asked for any other proponents to this bill.

Oral testimony was given by the following and their written statements are attached: Norman A. Nelson, Westby; Sherill Henderson, Sidney; Pat Underwood, Montana Farm Bureau, Bozeman; Douglas Johnson, Sidney; Bob Candee, Richey; James Deckert, Richey; Steve Christian, Shelby; John K. Wipf, Glacier Colony, Inc.; Ronald Olsen, Dagmar; and Senator Tveit, District #27.

Norman W. Jackson, Montana land and mineral owner, supports SB 16 with a recommendation that the right to collect for damages as damages occur be given to the land owner.

Harry Tuma, Cut Bank, gave a brief statement in support of this bill.

Written testimony was received from the following (copies attached) in support of SB 16: Lois J. Dynneson, Sidney; Donald Syme; Raymond A. Franz, Sidney; Sam Ritter, Sidney; William Petersen, Helena; Richard Boese, Richey.

Chairman Dover asked for opponents to SB 16.

Tom Dowling, Montana Railroad Association, gave a brief statement in opposition of this bill.

Don R. Lee, Shelby, Montana, opposes the bill as it is written and feels it will foster litigation. The main objectives of the bill, notification before drilling and reimbursement for surface damages, he has no objection to.

Don Allen, Executive Director of Montana Petroleum Association, explained that the problems this bill deals with includes only a very small portion of surface owners and oil industry dealings. Basically the dealings between oil industries and surface owners are fair and the oil industries follow good practices. The intention of the bill is good but he feels that the bill, even with the amendments proposed, could use a little revision.

Barry G. Ibsen, Montana Oil and Gas Association, agrees with the basic intent of the bill but feels it should be amended and has furnished an amended copy of the bill as he would like it to read. (copy attached)

W. F. Allen, Billings, Montana, has not encountered the problem of negotiating an agreement with the surface land owner. He requested that the committee at least not put the oil business in a straight jacket with paper work.

Senator Keating removed himself as a member of the committee to testify on this bill. As an oil and gas man he feels that legislation cannot be enacted that will satisfy all individuals concerned. He is not necessarily opposed to the intent of the bill but is it going to work into something that will prohibit the oil industries from doing their job.

In Senator Smith's closing statement he said that he has had dealings with the oil industries on his property and has a good working relationship with them. But that does not mean that all the oil industries dealings with surface owners have been fair, as has been witnessed here. If the bill is amended as Barrie Ibsen requests, we could just as well not pass it.

Written testimony was received from W. M. Vaughey, Jr., Havre, and from the Northern Plains Resource Council, in opposition of this bill. (copies are attached)

Chairman Dover asked for questions from the committee.

Senator Tveit addressed this question to Don Lee. You stated this piece of legislation is tieing the oil company's hands and that the land owner would get extremely high prices for surface lands, more than is justified. Would you explain this statement.

Don Lee said that if a case comes up for hearing the oil company is responsible for court costs as stated in this bill. If the surface owner is demanding an exorbitant amount and we go to court and the court awards the surface owner a similar amount as was offered by the oil company, then the oil company should not be penalized by paying court costs.

Senator Tveit asked Mr. Lee if he thought the oil companies were paying competent damages now.

Don Lee said that it depended on each factual situation after negotiations. He questioned what would happen if the plan is not submitted to the surface owner, as there is no penalty if you do not submit the plan.

Senator Ryan asked Don Allen if his company agreed with the amendments proposed by Don Lee.

Don Allen said that the amendments were some suggested ways to reach what was thought to be the desire of the bill. The language presented by Mr. Lee has not been reviewed by the Montana Petroleum Association.

Senator Manley questioned that the oil companies have the right to go into a surface land owners property and build a road wherever they want to. Isn't there a law to protect the surface owner?

Senator Smith said there is no protection whatsoever for the surface owner. In certain cases the surface owner has gone to court and lost.

Don Allen said that this does not apply to most oil companies. They will try to arrange the best place for a road to go.

Chairman Dover closed the hearing to SB 16.

EXECUTIVE SESSION: Chairman Dover advised the committee that a Joint Resolution, to affirm continued membership on the Western States Forestry Task Force, needed to be approved for drafting by the Legislative Councel.

Senator O'Hara motioned that a Joint Resolution be prepared in this regard. The motion carried unanimously.

ADJOURNMENT: There being no further business, the meeting was adjourned at 3:10 P.M.

Harold L. Dover

HAROLD L. DOVER, Chairman

TESTIMONY

Mr. Chairman- Members of the Committee, I am Senator Ed Smith, District 1, sponsor of SB 16.

In no way is this proposed legislation being introduced to harrass the oil industry or hinder oil and gas production.

We need them and we certainly need the product they produce. We also appreciate the tax monies that the oil industry contributes to run our school systems and to County, State and Federal Government.

However, I do feel there are some problems that need to be corrected so a better spirit of cooperation can be created between the oil industry and land owner.

I would be remiss if I didn't add that many oil companies are already doing what we are attempting to do with this legislation, and I congratulate them for it.

Oil production and agriculture production can be compatable and many problems can be elimenated if better communication is brought about.

I come from an area where there has and is a considerable amount of oil production and exploration.

There are alot of problems and these same problems can develope in most areas of the state as increased oil and gas exploration continues.

I feel the surface owner should have rights and expect reasonable consideration when oil and gas development is experienced on their property, and more so when minerals are severed from the surface.

Some oil companies do comply with what is recommended in this proposed legislation.

Others have a complete disregard for the surface owners rights. This is what we hope to change by this legislation.

(read)

This type of legislation was introduced in the 1979 session of North Dakota legislature. It was passed, taken to court and upheld.

Their law is much more stringent then what we are proposing.

You will notice as I go through the bill that we have made several concessions to the oil industry.

Testimony by Russell Denowh
Sidney, Mont.

I am sending this testimony in support of S. B. 16. We need legislation for fair compinsation to land owners, for oil and gas exploration on their property.

I have had a disapointing experience with an oil company exploring for oil on my property. The company's land man contacted me about damages for the site, and asked what I wanted. I told him $2500.00, as I had received $2000.00 for a location in my grass land, they were going to drill in my summerfallowed farm land and I felt it was worth a little more. He told me that he was only authorized to pay $1500.00 for a location, but that he would take it up with his superiors and let me know. I told him they could go ahead and make the location, but I wanted a settlement before they moved the rig on. He said O'K.

About a week went by, they had the location about built, and I still had not heard from him, so I called him. He said he hadn't gotten a chance to speak with his superiors yet, he just kept stalling. About a week after that they started moving the rig on. I went up to speak with the Tool Pusher and asked him if he would come with me to call to try and get my settlement. He said sure and quite moving the rig until after the conversation. In the phone conversation they said they would not pay $2500.00. To try to get along I asked if they would give me $2000.00 like I had received on the other location, They said no. This angered me so I told them to keep the rig off until they made settlement.

It took about 3 days for them to have the necessary papers served on me, so they could move the rig on. Then they sued me for the time they were kept off.

Testimony by Russell Denowh
Sidney, Mont.

At the trial the Judge ruled that being I never had any crop planted in the summerfallow at the time they moved on, I never had any surface damages coming. Because of this ruling, the facts of what actually took place were inadmisable. We could not let the jury know that the whole thing came about over only $500.00. Their lawyers made it look like we tried to rip the company off. They won the judgment. I was to pay them nearly $16,000.00, I threatened to appeal the case and they settled for $5000.00.

I have no minerals under the well, I have never received any surface damages, I pay the taxes on the land, and they can be there for 50 years if the well lasts that long.

Oil companys have been using this case as leverage over other farmers in the area. I have visited with several of them that told me this.

Russell Denowh

COMMITTEE ON NATURAL RESOURCES

I am a Rancher in McCone and Prairie counties. At present there is quite a lot of gas and oil activity in the area.

In the 1960's when this area was seismographed the land owners, in many cases, didn't know to what extent theirland was to be used or when they were coming in. Sometimes the surface owners did not even know of the activity until it was completed. If necessary specific examples can be given. This resulted in court cases and hard feelings. Also in some cases surface owners banding together to keep out seismic crews.

Therefore I support Senate Bill #16 as it will "...give the surface owner written notice of the drilling operations that he plans to undertake." Page 3 Section 3 lines 11@12.

This I feel will eliminate problems and foster better cooperation.

I also like the idea of being able to break the payments into anual instalments..

Thank you for considering my testimony.

David K. Kasten

David K. Kasten
Brockway, Montana
59214

Westby, Montana 59275
January 23, 1981

Senator Ed Smith
Capitol Station
Helena, Montana 59601

Dear Ed,

This past fall we negotiated with Chevron Oil Company on a settlement for surface damages due to pipeline construction and oil exploration activities. We asked for an annual rental on oil well sites, but were told that Chevron would not pay an annual rental.

We are in support of Senate Bill 16, which would allow the option of an annual rental or a lump sum payment for surface damages caused by oil and mineral development.

Yours truly,

Robert Leininger
Richard Westgard
Maynard Eggen
Laurence Heppner
Edmer Westgard
Marlow N. Ingman
Esther Hanson
Clifford Jacobs

Garfield - McCone Legislative Association
Circle, Montana 59215
Phone (406) 485-2227

Jan. 28, 1981

SB (16)

Mr. CHAIRMAN AND COMMITTEE MEMBERS I AM GLEN C. CHILDERS, PRESIDENT OF GARFIELD McCONE LEGISLATIVE ASSN., AN ORGANIZATION OF APPOROX. SIXTY TWO AGRICULTURAL MEMBERS, AND I AM AUTHORIZED BY THE BOARD OF DIRECTORS TO TESTIFY IN THEIR BEHALF.

DUE TO PAST SURFACE DAMAGES AND LIVESTOCK DAMAGES CREATED BY PAST EXPLORATION FOR BOTH OIL AND GAS WITH NO JUST COMPENSATION TO THE LAND OWNER BY SOME EXPLORATION COMPANIES THE GARFIELD-McCONE LEGISLATIVE ASSN. STRONGLY ENDORCES SB (16).

RESPECTIVELY SUBMITTED,

GLEN C, CHILDERS, PRES.

Visited this prom
Lock & Sat Station
Jan 22, 1981
Westby Mont

Dear Mr Smith

Just a word to let you know what's been going on with the oil companys. I let them put water lines across my land several years ago without charge which was my first mistake. (Cotton pet) There's been many salt spills & oil also which has ruined I guess $2 000. worth of my land which they simply refuse to pay one ~~cent~~ cent damages. also my mother (Marie) had an oil well that was poor so they told her if they could use it for salt they would give her much more than oil was bringing also saving them the expense of drilling another disposal. She never has got a penny from them, also they made a graded road a whole mile down the middle of here wheat field to get to the disposal (without her permission) also without payment also she has much ruined land from spills. I would like to know why I can't tear the salt line up on my land?

Yours truly
James Nordhagen

January 22, 1981

Senate Committee on Natural Resources
Montana State Capitol
Helena, Montana 59601

Re: Senate Bill # 16

Dear Committee Members:

I am writing in support of Senate Bill # 16. I strongly urge the passage of this bill.

On one occasion, an oil company began building a road across our property to get to a lease on someone elses land. We were not even notified.

We urgently need a bill of this type to protect the surface owner's rights. I believe this bill would help to create better communications between surface owners and oil producers.

We need oil to produce food and fiber, but without food, where are we?

Sincerely,

Robert J. Coon

Robert J. Coon
Girard Rte. Box 145
Sidney, Mt. 59270

1. Title, line 4.
Following: "REQUIRE"
Strike: "MINERAL"
Insert: "OIL AND GAS"

2. Title, line 6.
Following: "REQUIRE"
Strike: "MINERAL"
Insert: "OIL AND GAS"

3. Title, line 7.
Following: "DEVELOPERS"
Insert: "AND PRODUCERS"

4. Title, line 8.
Following: "DRILLING"
Insert: "AND PRODUCTION"

5. Title, line 9.
Following: "CONDITIONS"
Insert: "; AND PROVIDING AN EFFECTIVE DATE"

6. Page 1, lines 19 through 21.
Following: "necessary"
Strike: "to exercise the power of the state to protect the public welfare of Montana, which is largely dependent on agriculture, and"

7. Page 2, line 3.
Following: "estate"
Strike: "and other persons"

8. Page 2, lines 4 and 5.
Following: "for"
Strike: "injury to their persons or"
Insert: "use of their"

9. Page 2, lines 14 and 15.
Strike: subsection (2) in its entirety
Renumber: all subsequent subsections

10. Page 2, line 21.
Following: "(4)"
Strike: "Mineral"
Insert: "Oil and gas"

11. Page 2, line 22.
Following: "the"
Strike: "mineral"
Insert: "oil and gas"

12. Page 2, line 23.
Following: "the"
Strike: "minerals"
Insert: "oil and gas"

13. Page 2, line 24.
Following: "(5)"
Strike: "Mineral"
Insert: "Oil and gas"

14. Page 2, line 25.
Following: "the"
Strike: "minerals"
Insert: "oil and gas"

15. Page 2, line 2.
Strike: subsection (6) in its entirety
Renumber: all subsequent subsections

16. Page 3.
Following: line 2
Insert: "(5) 'Operator' means a person who is responsible for production or transportation of oil and gas on a specified tract of land.

(6) 'Person' means an individual, partnership, corporation, or other legal entity."

17. Page 3, lines 5 and 6.
Following: "who"
Strike: "has possession of"
Insert: "holds title to or has a purchaser's interest in"

18. Page 3.
Following: line 7
Insert: "(9) 'Tenant' means the person operating the surface estate by agreement with the surface owner."

19. Page 3, line 10.
Following: "the"
Strike: "mineral"
Insert: "oil and gas"

20. Page 3, line 13.
Following: "the"
Strike: "record"
Following: "owner"
Insert: "by certified letter"

21. Page 3, lines 18 through 21.
Following: "property."
Strike: the remainder of line 18 through line 21 in their entirety.

22. Page 3, line 23.
Following: line 22
Strike: "mineral"
Insert: "oil and gas"
Following: "developer"
Insert: "or operator"

23. Page 3.
Following: line 23
Insert: "or other compensation"

24. Page 4, line 2.
Following: "operations"
Insert: "and production"

25. Page 4, line 4.
Following: "the"
Strike: "mineral"
Insert: "oil and gas"
Following: "developer"
Insert: "and operator"

26. Page 4, line 11.
Following: "operations"
Insert: "and production"

27. Page 4, line 16.
Following: "Damages"
Strike: "for negligence and nuisance"

28. Page 4.
Following: line 16.
Strike: "mineral"
*Insert: "oil and gas"
Following: "to"
Strike: "person or"

X *Following: "developer"
Insert: "or operator"

29. Page 4, line 19.
Following: "the"
Strike: "mineral"
Insert: "oil and gas"
Following: "developer"
Insert: "or operator"
Following: ". The"
Strike: "mineral"

30. Page 4, line 20.
Following: "developer"
Insert: "or operator"
Following: "is"
Strike: "also"
Following: "for"
Strike: "all"
Following: "to"
Strike: "person or"

31. Page 4, line 21.
Following: "personal,"
Strike: "resulting from a nuisance"

32. Page 4, line 22.
Following: "drilling"
Insert: "and production"

33. Page 4, line 23.
Following: "injury"
Insert: "to property"

34. Page 4, line 25.
Following: "developer"
Insert: "or operator"

35. Page 5, line 1.
Following: "injury"
Insert: "to property"

36. Page 5, line 5.
Following: "the"
Strike: "mineral"
Insert: "oil and gas"
Following: "developer"
Insert: "or operator"

37. Page 5, line 12.
Following: "the"
Strike: "mineral"
Insert: "oil and gas"
Following: "developer"
Insert: "or operator"

38. Page 5, line 17.
Following: "the"
Strike: "mineral"
Insert: "oil and gas"
Following: "developer"
Insert: "or operator"

39. Page 6.
Following: line 3
Insert: "Section 11. Effective date. This act is effective on passage and approval."

Judge Glasser Ruling

Law Not Unconstitutional

Murphy contended that he had not been properly notified that drilling had started under the requirements of the surface owner law. His complaint against Amoco seeks $100,000 in damages.

"Amoco also argues that the legislation is beyond the power of the state to enact, even prospectively," Judge Glasser said. "The suggestion here is that the legislation is designed to benefit a small group rather than the public generally, and that the subject matter, by its nature, does not call for legislative interference." The provisions of N.D. Century code section 38-11.1-04 do not apply retroactively, he said.

Donald L. Jorgensen, representing the Murphys, argued in his court brief that Amoco's challenge of constitutionality has failed because the issue is "so firmly entrenched in the history" of the state.

"The preservation of agricultural production within the state of North Dakota would appear to be the foremost of all public concerns and public interest, even to the extent of slight impairment of contractual rights . . . " Jorgensen concluded.

He pointed out that the new law seeks to set reasonable standards for compensating landowners for loss of farm land.

"Currently, mineral developers offered compensation to owners of surface estates, absent any correlation to the actual damages suffered and as predetermined by the mineral developer," Jorgensen said. "In many cases owners of surface estates find themselves obligated to incur the expense of legal counsel and others in an effort to recover just compensation for their losses."

Amoco argued the law was unconstitutional because it deprives Amoco of property rights guaranteed under the state and U.S. constitutions as well as the fifth and 14th amendments.

The oil company has the right, attorney Brian Bjella argued in his brief, to use as much of the surface as necessary under the dominant-servient estate doctrine of mineral law.

"The statute was not enacted so as to benefit the public welfare," he said, "it substantively impairs the right of freedom of contract and it abrogates real property rights."

Surface Law Stands up to Court Test

North Dakota's new surface owner law, which requires 30-day written notice to owners, is not unconstitutional.

This was the conclusion of Dist. Judge Gerald Glaser who heard the key test case brought by Amoco Production. The 1979 law, originally drafted by Rep. Jack Murphy, ended up in court in a case involving Murphy's son, Red Murphy.

Judge Glasser said he found no constitutional objections to the law but ruled in favor of Amoco on the issue that its lease with Murphy was not subject to provisions of the surface law.

"This does not mean that the surface owners are without recourse if damage has occurred," Judge Glasser said, "but it does mean that they will be limited to those rights in existence as of June 30, 1979."

The issue stemmed a restraining order Murphy got against Amoco when it moved Ratliff No. 6 to drill on the E½NE½ of Sec. 10-T146N-R96W in Dunn County Jan. 15, 1980.

(Continued On Back Page)

CENTURA INCORPORATED, 1108 Guaranty Bank Tower, Corpus Christi, Texas 78475 • Phone (512) 882-3321

May 14, 1979

MR. NORMAN A. NELSON
Westby, Montana 59275

RE: Coal Ridge Prospect
#1 C. W. Nelson
Sheridan County, Montana

Dear Mr. Nelson:

You are correct in your understanding that your location will be smoothed out. I suspect that by the time you receive this letter you will have been contacted by our dirt contractor.

However, your estimate and our estimate of the damage to your surface are way out of line. When I originally talked with you, before we had moved any equipment onto your property, we had tentatively agreed on damages if a location were built. The terms we discussed are as follows:

1) The access road would be less than 30 feet wide;

2) A five acre location would be $450.00. (5 acres x 28 bushels per acre = 150 bushels x $3.00 per bushel = $450.00)

3) In the event we completed the well as a producer we would pay a one-time rental fee for a surface easement.

During the same conversation you told me that you would send me your "standard damage agreement" to look over and discuss further. I never received any form of damage agreement from you.

Because our well on an offset location was a dry hole, we never built a location or moved in an actual "drilling rig." We merely leveled a location and moved in a spud unit. We did not dig any pits; we did not spill any salt water or drilling fluids; we did not spread any gravel, caliche or other surface material; and there were no crops on the location to damage.

Your request for $2,500.00 is not only considerably more than our tentative agreement for a location suitable for a drilling rig large enough to drill an 8,000 foot well but it is unreasonably high for the actual damage to the surface, if any at all.

Therefore, we will smooth out the location and return it to as near its original condition as feasible and pay you the sum of two hundred dollars as damages.

In view of the facts I believe this is a reasonable settlement and I further believe that any disinterested third party would agree.

If you have any questions, please call. If we do not hear from you a check in the amount of two hundred dollars payable to C. W. Nelson & Sons will be sent.

Yours very truly,

CENTURA INCORPORATED

John C. Heymann

JCH:dd

Sun 6662A

SETTLEMENT OF DAMAGES

KNOW ALL MEN BY THESE PRESENTS: The undersigned hereby acknowledge receipt from SUN OIL COMPANY (DELAWARE), a corporation, Four Thousand and no/100---------- Dollars ($ 4,000.00), which is accepted by each of them in full settlement and compensation for all damages of every kind caused by, incident to, or that may result from the activities set forth below on the land described below, and do hereby fully release Sun Oil Company (Delaware its joint operators, associates, agents, employees, successors and assigns, from all claims therefor.

Payment of damages to wheat caused from the drilling of the State A-3 well and access road.

NOTE: It is agreed there will be no charge for the lease road along the section line.

NOTE: It is also understood and agreed between both parties that if Sun exceeds three (3) acres for the location of the said State A-3 well that Sun will pay C. W. Nelson & Sons, Inc. for the additional acreage.

Center of SE¼ of Section 16, Township 35 North, Range 58 East, Sheridan COUNTY, STATE OF Montana.

WITNESS our hands this _____ day of December, 1980.

WITNESSES:

x _____

x _____

_____

_____

C. W. NELSON & SON INC

By: _____

Name

Title

_____

C&LA 1819

SIGNAL EXPLORATION INCORPORATED — DENVER, COLORADO

INVOICE DATE	INVOICE NO.	VOUCHER NUMBER	GROSS	DISC. %	DISCOUNT AMOUNT	NET AMOUNT	TOTAL
10 11 65	2668	10-044	500 00				500.00

Surface Damage Section 16, T35N, R58E $500.00

Lease No. 397

PLEASE DETACH AT PERFORATION BEFORE CASHING

SIGNAL EXPLORATION INCORPORATED
DENVER, COLORADO

DATE 10 11 65

No. 899 23-2 / 1020

COLORADO NATIONAL BANK
DENVER, COLORADO

PAY The sum of Five hundred and no/100

PAY EXACTLY $ 500.00 DOLLARS CENTS

TO THE ORDER OF

Mr. C. W. Nelson
Route #1
Westby, Montana

SIGNAL EXPLORATION INCORPORATED

Received from Loren O'T
on 6-18-74

Again we tried to obtain an annual rental but Sun Oil refused.

I also would like to add we do not want to sell this land to anyone, at any price, but to farm the land in the best possible manner.

The Northeast Montana Land and Mineral Owner's Association has tried to persuade the oil companies to give the land owner an annual rental fee. Still, some of the companies have flatly refused. So we ask this committee to vote in favor of this Senate Bill #16.

In summing this up, 2 years ago the oil companies argued that they could not give the surface owner a $2\frac{1}{2}$ percent overriding royalty. They argued, and maybe rightly so, that you cannot take property from someone and give it to someone else. Is that not what they are doing? Taking our land using it themselves—for nothing???

Thank you.

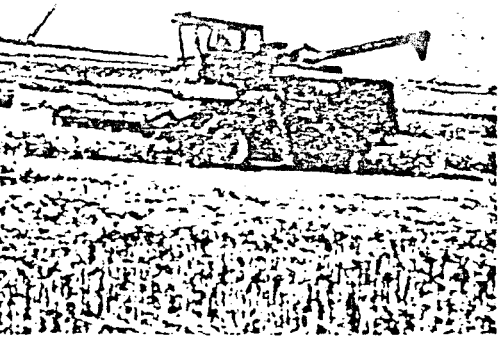
Norman A. Nelson

Sun Oil then offered us a payment, a one-time payment, of $1450.00. We still pay taxes on the 640 acres of prime farm land. I might add all we have ever asked for was an annual payment based on loss of production.

Mr. Chairman, I have presented you with a copy of that check from Sun Oil which involves that $500.00 payment. Also, you have a letter from Centura Oil Company dated May 14, 1979. The letter states on line three they would pay a one-time rental fee for a surface easement. I might add that we have never signed any kind of easement. After all, we do own the land.

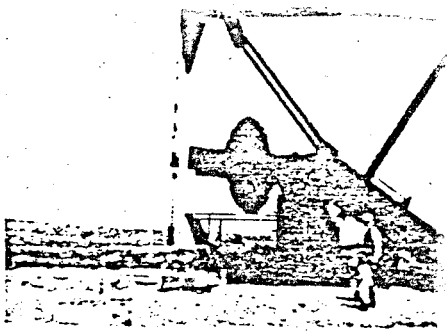
On page two of the same letter you will also note they did offer us $200.00 on this site after tearing up that amount of land. As I see it, an offer of $200.00 is ridiculous. Through the efforts of the landowner's association, we did finally receive a $2,500.00 payment after negotiations.

In another related matter, again pertaining to SunOil Company, in a letter dated December 12, 1980, you will note a settlement of damages. It states, if we accept, full settlement and compensation for all damages of every kind caused by incident to, or that which may result from the activities set forth below on the land described below, and do hereby fully release Sun Oil Company (Deleware) its joint operators, associates, agents, employees, successors, and assigns, from all claims therefore, which, I might add, is <u>forever</u>!



Montana Land And Mineral Owners Association, Inc.

Westby, Montana 59275



I am Norman A. Nelson, a farmer in Northeast Montana. I'm in favor of Senate Bill #16. I am chairman of the Northeast Montana Land and Mineral Owners Association, Inc. The association represents about 3 million acres in Northeast Montana. The association was organized in 1975 because of the interest in the problems farmers and ranchers were having with oil activity.

Some of the members have tried to obtain an annual rental payment from several oil companies due to land taken out of production. But, they have been flatly refused time and time again. Few oil companies are already making these annual payments.

When an oil company can come and take up to 15 acres of your land out of production, and use it like Sun Oil Company has on our land, and use it for a period up to 35 years for an offer payment of $1450.00, and call that an honest and fair payment, something is wrong. We did receive a payment from Sun Oil in 1965, which we thought was for the location or drill site only. Then we discovered it was for <u>all</u> damages done on the first location.

That location consisted of about 5 acres. Since that time they have built 2 more locations—one was dry and the other is in production. So a total of about 18 acres has been involved.

SIGNAL EXPLORATION INCORPORAI DENVER, COLORADO

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Surface Damage Section 16, T35N, R58E $500.00

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SIGNAL EXPLORATION INCORPORATED
DENVER, COLORADO

DATE 10 11 65

No. 899

23-2
1020

COLORADO NATIONAL BANK
DENVER, COLORADO

PAY The sum of Five Hundred and no/100

PAY EXACTLY $ 500.00 DOLLARS CENTS

TO THE ORDER OF

Mr. C. W. Nelson
Route #1
Westby, Montana

SIGNAL EXPLORATION INCORPORATED

Received from Loren O.T.
on 6-18-74

ENTURA INCORPORATED, 1108 Guaranty Bank Tower, Corpus Christi, Texas 78475 • Phone (512) 882-3321

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During the same conversation you told me that you would send me your "standard damage agreement" to look over and discuss further. I never received any form of damage agreement from you.

Because our well on an offset location was a dry hole, we never built a location or moved in an actual "drilling rig." We merely leveled a location and moved in a spud unit. We did not dig any pits; we did not spill any salt water or drilling fluids; we did not spread any gravel, caliche or other surface material; and there were no crops on the location to damage.

Sun 6662A

SETTLEMENT OF DAMAGES

KNOW ALL MEN BY THESE PRESENTS: The undersigned hereby acknowledge receipt from SUN OIL COMPANY (DELAWARE), a corporation, Four Thousand and no/100---------- Dollars ($ 4,000.00), which is accepted by each of them in full settlement and compensation for all damages of every kind caused by, incident to, or that may result from the activities set forth below on the land described below, and do hereby fully release Sun Oil Company (Delaware) its joint operators, associates, agents, employees, successors and assigns, from all claims therefor.

Payment of damages to wheat caused from the drilling of the State A-3 well and access road.

NOTE: It is agreed there will be no charge for the lease road along the section line.

NOTE: It is also understood and agreed between both parties that if Sun exceeds three (3) acres for the location of the said State A-3 well that Sun will pay C. W. Nelson & Sons, Inc. for the additional acreage.

Center of SE¼ of Section 16, Township 35 North, Range 58 East, Sheridan COUNTY, STATE OF Montana.

WITNESS our hands this _____ day of December, 1980.

WITNESSES:

x _____

x _____

_____

_____

C. W. NELSON & SON INC

By: _____

Name

Title

C&LA 1819

State A lease

January 28, 1981

Testimony before the Natural Resources Committee.

I'm Steve Christian, Shelby, Montana, Director of Northern Montana Land and Mineral Owners Association, Inc.

Mr. Chairman and Member Senators:

I support Senate Bill 16 because I feel it will aid in communicatior between oil operators and landowners, which at present, I feel is the major problem with their relationship. It asks nothing from either party that is not carried on at this time by conscientious operators and landowners. It will be a definite aid for better relations between inexperienced or inconsiderate people.

This type of legislation has been sorely needed for some time, and will be especially valuable in areas of new exploration.

Therefore, I feel it is timely when we are locally and nationally conscious of the need for energy supplies. I also feel it will promote smoother relations and in many cases expedite operations.

I encourage this committee to send this bill to the floor with a Do Pass recommendation.

Thank you.

/s/ Steve Christian

Mr. Chairman, members of the Committee:

I am Sherill Henderson from Sidney. I am a land and mineral owner in Rickland County. I serve as a director of the NE Montana Land and Mineral Owner,s Association, and also as a State Director of Montana Farm Bureau Federation, representing over 4thousand 5 hundred member families.

The principle of protection for surface owners in mineral development was adopted by Montana Farm Bureau at the State Convention in 1979, and reaffirmed this year, as follows from the Montana Farm Bureau Policy book:

"Montana Farm Bureau shall work for enactment of legislation which will provide for annual arbitrated payments to surface land owners. The annual arbitrated payments are to cover the costs of surface land damages incurred by oil, gas and mineral exploration and development and for loss of agricultural production due to the same exploration and development."

Many landowners in our state who have been severely damaged by the irresponsible among the producers, could not attend this hearing on SB 16, some of them have given me written statements detailing their situation, which Senator Ed Smith, sponsor of SB 16 has on file.

I urge the passage of SB 16, will be open to questions from this committee. Thank you.

Sherill Henderson
Rte 1 Box 111
Sidney Mont 59270

SENATE BILL 16

I am Douglas Johnson, farmer from Sidney, Montana and executive board member of the Montana Farmer's Union, headquarters in Great Falls.

Senate Bill 16 affects our members as they are surface owners and many do not have title to the minerals under their land. This bill would give the surface owner notification of entry and a procedure of assuring just compensation for damages incurred by them.

Many times the surface owner is not included in the site and road selection and often times it can be worked out to a beneficial solution for both parties.

Many times the total operation of the field is disrupted as long as the well site is there and therefore, the surface owner should be compensated in annual installments.

This bill also spells out the liability of the surface owner, the mineral developer and producer, to the mutual benefit of all parties concerned.

Therefore, the Montana Farmer's Union supports SB 16.

Thank you.

walked out - saying we will not set a precedent and we will not improve on our first offer - which doesn't even cover what the land would sell for and be in production.

By the same token - the actual well site which is 500 feet square (it was 400 feet square until a recent settlement on 500 feet square held up in Court on the Erickson Well Site near Vida, Mt.) brought - $2,000 for 5.74 acres - or $348 per acre - well below the saleable price. They have set a precedent here - because Well site No. 3 received $3900. This is to prove - that unless words are put on paper etc. - any verbal agreement is worthless. And yet - $3900 equals an $679.44 per acre. This all is a one shot deal - no annual lease of land etc. - or compensation for production loss or taxes, etc.

As you can see - we have no bargaining power at all. In my case - Amoco - is now driving 15 miles from Richey to reach this new well site - imagine the extreme extra cost as against compensating me fairly to have access of only 4 miles from Richey.

We - are not asking for the moon in this bill - we are asking for a chance to get a foot in the door - not for today alone - but that the younger generation in the future, - including my 12 year old twin boys, that they can say - at least our Fathers got their foot in the door - now let's work together and improve on the situation.

I ask this Committee to approve Senate Bill 16 unanimously for when an Oil Company wants your property they don't care whether you are Republican or Democrat.

1-28-81

Testimony of Richard Boese - Richey, Mt.
pertaining to Senate Bill 16

During the first part of 1981 - early January - Amoco Oil Co. arrived at my home - without notice - and said we want to build a road through my property for access to a well site just 670 feet beyond the end of my land. The length of the road was one mile. They asked for a 60 ft. right away. Amoco's offer was $8.00 a running rod which amounted to $2560. The number of acres lost is 7.28 acres, which means I would receive $351.65 per acre to retire this land. No damages would be paid for the winter-wheat torn out and the whole harmless clause was excluded - which means - I - the land-owner am liable for any accident or whatever that could happen on this road. Amoco - said - we need your O.K. today as the rig - crew - surveyors etc. are ready to come in tomorrow. I - then - asked for $1 extra per rod - which would add $320 and damages - to my winter-wheat of 35 bu. per acre times $4.50 per bu. yield. Total amount for 2 acres - $315.00. I was turned down - with the words - we will get in there some other way.

Two weeks later - Amoco - returns. They want to know if I'll re-consider. I said - Yes - but under different terms. I asked for $5.00 a square rod the first year which equals $799.20 per acre lost to production and retiring the land plus an annual rental of $3.00 per acre which equals $479.52 per acre and should the well be a dry one and they back out of there - our annual rental agreement is null and void. Now - remember I would still own the land - they would pay no taxes for its use - I would lose 7.28 acres of land - and production and this would not improve the land if it went up for sale. Amoco

I believe our Constitution forbids the taking of another person's property without just compensation-----

This is the principle we address in this SB#16, as mineral developers and producers who enter upon the surface of a land owner, develop their wells and extract the oil and gas to which their mineral estate entitles them, without compensating the surface owner for the property they deprive him of by reason of their operation, are truly taking another person's property without just compensation, contrary to our protection under our Constitution.

We in no way wish to hamper the utilization of our nation's mineral wealth, but we must have the protection of the laws of our land for our property, so we can continue our farming and ranching operations.

Many of the mineral producing companies have of their own volition, recognized the rights of the surface owners, and have done a good job of working with them. It is the " my rights make your rights null and void" type of operators who make this SB#16 necessary.

Vera Henderson
RR 1 Box 111
Ludlow Montana

NAME Pat Underwood BILL No. SB 16

ADDRESS Box 1207 Bozeman, Mt. 59715 DATE 28 Jan 81

WHOM DO YOU REPRESENT Montana Farm Bureau

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

I also have the pleasure today of representing

(a) Montana Stockgrowers Associatio
(b) Montana Wool Growers Associati
(c) The Cowbell's
(d) Montana Women involved in Farm Economics (wife).

We support SB 16 and highly recom
you ~~abort~~ a "do pass" on this Bill.
It is a good Bill that will enable
surface land owners, Farmers & Ranchers a
mineral developers to know what the
rules are, and allow both to go
on with doing what they both kno
how to do best.

Pat R Underwood

FORM CS-34
1-81

Mr. Chairman, my name is Bob Candee from Richey. I appreciate the opportunity to speak on behalf of Senate Bill 16. I represent myself and my neighbors. The purpose of my testimony is to point out that surface owners need further protection under the law.

Although I don't totally agree with Senate Bill 16, I think it is a step in the right direction. Montanans need a law to protect surface owners in oil development areas, where the minerals are owned by someone other than the surface owner.

In the past, land has been purchased when the buyer was unaware of what was to follow.He did not realize the impact of the OPEC nations and the surge of oil-related activity that has come since. The price of gas has jumped from around 30¢ a gallon to over a dollar a gallon, and the oil company profits have soared. He can also see the damage done by the old oil fields 30 years ago and the scars that were left on the land.

There are many land owners who don't own a single mineral acre, and yet have to put up with all the impact of the oil activity such as the destruction of his land, the traffic, the smell, and the stained and rusted out buildings due to the gas flares and the ruined water wells.

Cost of production should include compensation to the surface owner. Surface owners do not want to deny oil developers and mineral owners their legal rights or to stop any development. We wish to establish that the surface owner is entitled to fair compensation.

Compensation should be based on what the land is worth to the drilling company to set up on and use, rather than use for agricultural purposes. If someone wanted to buy your land for housing development, a trailer court, or gas plant, you wouldn't sell it to them for an agricultural price.

Fair compensation, in the eyes of Amaco, was for me to take their first offer or go to court. They refused to negotiate ~~a penny~~ more, and refused to pay ~~an~~ annual rental. They agreed to notify me when they were going to move on, and didn't; I came home from Billings and they were digging up my field. They had my phone numbers, and knew where to locate me. Amoco was going to pay the surface damage amount to the former owner of the land because of the contract for deed. They gave me about 5 days notice. Other companies are paying annual rental in my area, and Amoco absolutely refused.

Wouldn't the oil companies and mineral owners be willing to share a small percentage of the profit to greatly improve the relations between the farmers and themselves... and wouldn't that be a better investment than giving it to the Federal Government? I strongly believe as much as anyone, in the free enterprise system, and making a profit, but I can't sit still while big oil plunders.

Can the oil companies, by virtue of a mineral lease, dictate how individual surface owners can use their land? The oil companies have constantly imposed their own settlements on surface owners, and it's time that we do something about it. They are so out of touch, and so isolated from the surface land, that they don't know the problems of the local people.

Who is better qualified to receive fair compensation: (1) the mineral owner who probably lives in Minneapolis or Seattle; (2) the oil company with its offices in Dallas or Denver; (3) the lease hound who lives in Billings; (4)or the farmer who lives on the land and has to try and reclaim it afterwards?

We would like to be friendly towards the oil companies, but we are constantly frustrated by the way that this bunch has been walking on us. It's incredible, in this day and age, that a surface owner has no rights.

Senate Bill 16 will not address all the issues [redacted]. It is, however, a step in the right direction, and I would urge this Committee to give Senate Bill 16 a "Do Pass" recommendation.

Mr. Chairman and Members of the Senate Natural Resources Committee:

Thank your for the opportunity to speak on behalf of Senate Bill 16.

My name is James Deckert, I live near Richey in Dawson County and I address you on behalf of the Northern Plains Resource Council, the Dawson Resource Council, my neighbors and myself.

I wish to establish that our intention is not to stifle energy exploration or development. As farmers we are large volume energy consumers and we understand the importance of decreasing American dependence on foreign oil.

What we desire is a cooperative effort on the part of mineral development companies and surface owners. In eastern Montana sub-surface rights are held by private individuals, the State of Montana, the United States Government, and Burlington Northern Railroad. As a result, much of the development takes place on land with severed mineral rights and the surface owner has very little negotiating power. However, the surface owner must live with the activity, in some cases the inconvenience or risk, and in most cases a disruption of the normal life style which is part of the compensation of being an agricultural producer while receiving very little compensation. In addition to this, when I bought my farm I did not do so with the intention of breaking off little plots here and there. Each well requires roads, in some cases pipe lines, storage tanks, pits, treators, etc. Heavy concentrations of development get in the way of normal farming practices and decrease the over-all value of land.

I would like to see a stronger bill but this one is a step in the right direction. I believe Senate Bill 16 will help foster a climate of equality between the surface owner and the mineral developer and several years down the road the oil companies will find the improved realtions will enhance their efforts to recover gas and oil. I urge you to give Senate Bill 16 a do pass recommendation in its present form.

JAMES DECKERT

NAME: Glacier Colony Inc/Rex Johnson DATE: June 27, 1981

ADDRESS: Cut Bank Mont. ~~350 Area~~

PHONE: 336-1622

REPRESENTING WHOM? Glacier.

APPEARING ON WHICH PROPOSAL: For land surface owners

DO YOU: SUPPORT? ✓ AMEND? _____ OPPOSE? _____

COMMENTS: We have 31 mi oil gas wells on our farm holdings. We realize that they do have to exist, but we should be compensated for this existance. We have been compensated for the wells established since 1951 by mentana Power Company adjustment but compensations weren't adequate for surface damages done. Ingress & egress trails could be less and an annual payment for crop & surface damages should be made for each well site.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

In the fall of 1978 an oil company consultant came to me and said they had an oil well site staked in my pasture.

This site was 1 mile from any existing roads.

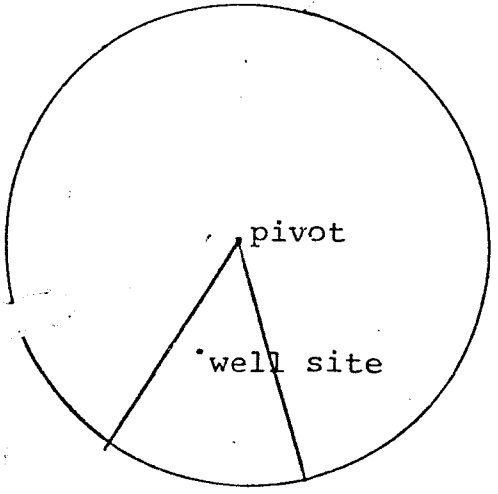
The consultant agreed to pay $2500 for the well site and $1000 for use of temporary road.

In the winter of 1978 they drilled an offset 600 feet from well #1. I got no damages for this site.

In the winter of 1978 Gulf drilled a well on adjacent property. They said that they wanted to use the temporary road but they should not have to pay damages since the lease company had farmed out part of the lease on my property to them and therefore, they had already shared in expense for the temporary road.

My property loss related to these two sites and road amounted to 18.15 acres and an additional 5.5 acres was damaged by the road. This would amount to a loss of about 2 grazing units to me so I asked for $1000 a year since calves were bringing about $500 a head at the time. They refused to pay this since they said that they have no bookkeeping system to handle annual payments.

I also recently installed a pivot irrigation system on adjacent property. If a well were drilled on this property it could involve a loss of about $2000 per year to me.



80 bu.	(duram yield our area under irrig.
10 Ac.	Loss to site
800 Bu loss	
$5	market price for duram
$4000	gross loss per year
2000	expenses in production
$2000	net loss per year

$2000	yearly loss
20	year est. well life
$40,000	loss over 20 years

/s/ Ronald Olsen
Dagmar, Montana

January 28, 1981

Testimony before the Natural Resources Committee.

I'm Steve Christian, Shelby, Montana, Director of Northern Montana Land and Mineral Owners Association, Inc.

Mr. Chairman and Member Senators:

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Therefore, I feel it is timely when we are locally and nationally conscious of the need for energy supplies. I also feel it will promote smoother relations and in many cases expedite operations.

I encourage this committee to send this bill to the floor with a Do Pass recommendation.

Thank you.

/s/ Steve Christian

HEARING SB 16

SMITH

Notice of Intent & Damage Rental

I am Larry Tveit, Senator, District #27. I would like to remove myself from the committee for the purpose of testifying for the bill.

The bill, like Sen. Smith says, addresses two points of major concern with surface owners. The problems being encountered are:

1. Notice of intent to drill. Some oil companies or operators have shown that they have no consideration for the land or surface owner. They drive the stake, dirt moving equipment is standing by the field and the surface owner wonders what is going on. A surface owner should be notified in advance so he or she can evaluate the situation, so he can discuss with the operator in advance ways in which to enter the land not only to disturb the least amount of surface but also pointing out to developer ways to reach that stake (where the well is to be dug) for the operator's benefit.

2. The other part of the bill addresses the damages due to loss of production disturbance of land - land taken out of production and road right-of-ways. Several companies, not all companies, are not willing to negotiate fair compensation for these damages. They tell surface owners we have the right to "take it or leave it".

I'm not standing here in an attempt to harrass oil companies and operators. Over the past two years I've had a good relationship with four oil companies. The companies and myself have

discussed the problems at the beginning. We both understand the concerns.

I have annual rental agreements with the last two companies that I have dealt with so it is being done by some companies now. Both sides agreed that the annual compensation was fair and equitable. Everything is in writing.

I believe the oil companies, surface and mineral owners, must work together. They must be able to communicate with one another and I know of no better way than to start communication between two people is to begin the right way. The oil companies I've dealt with told me we want to be fair. This bill addresses those concerns and I urge the committee give a Do Pass on SB 16

Thank you.

TESTIMONY

On April 18, 1978, we received a telephone call from an oil company stating they had staked a well site on our place. He said they were starting on the site the next day, which they did. During the conversation, we asked them to have a representative from the company to stop in and discuss the well and damages. He said someone would and not to worry, they would pay for damages. No one came and after repeated attempts to get someone, three months passed.

July 18, 1978, the well was called a dry hole and abandoned. July 19 we received a call from their claims man who said he would be there the next day. He came on the 20th and during the discussion of damages, I asked what they were paying. He said about "$800.00 to $900.00." I told him that it wasn't enough and I asked him if he had seen the site and he said he hadn't. I told him what I wanted and he said he would take it back to his company. They sent me a check for $1125.00. We returned the check and told them it was insufficient and did not want payment until the site was leveled and completed to our satisfaction.

During the fall they hauled about 50% of the water our of the pit and it was left for the winter.

In the spring of 1979, run-off filled the pit and spread onto the site. I called the company and they hauled ecough water to lower it about one foot. Nothing was done the rest of 1979, after repeated calls.

In the spring of 1980, they lucked out. There wasn't enough water to fill the pit and run over.

In July of 1980, they emptied the pit and levelled the site and finished the end of July.

As of this day I haven't heard from the company. We have turned this over to our attorney.

The site is in no condition to raise a crop in 1981 and will not be in full production for years to come.

The land owner should not have to subsidize the oil companies for their exploration.

DONALD SYME

January 22, 1981

Senate Committee on Natural Resources
Montana State Capitol
Helena, Montana 59601

Re: Senate Bill #1

Dear Committee Members:

I am writing in support of Senate Bill # 16. As a land[illegible] I feel that this bill would help create better communication between surface owners and oil companies.

Sincerely,

Mrs. Lois J. Dynneson
Star Rte. Box 146
Sidney, Mt. 59270

When oil development started in the area, interest and curosity led me to visit the operations. The main thing to my interest and concern in the two locations visited was the liners in the sump pits being torn and rendered useless. The same thing happened on the first location on my place. This allows the waste disposals to saturate the soil.

The first location on my land disrupted the irrigation system and they promised it would be put in order. Attempts were made to correct it and I was asked if it looked like it might work. My reply: "I don't know until I run water in it and no one will know until it is surveyed and put on grade." After two years of not being able to irrigate my field, it was surveyed and put in right. The company's representative told me they felt they had fulfilled their obligation and have refused to compensate for production which was lost those two years that the field couldn't be irrigated. This amounts to approximately 5 Ton an acre for 2 years on 12 acres. 10 x 12= 120 tons at $100 a ton. 120 tons x 100 = $12000.00.

A second well was drilled on my place in a dryland area. It was non-productive and abandoned. The site wasn't cleaned up in two months after the rig had moved out and pits were full and ready to spill waste over the land and downstream into fish stocked water. I contacted the company and they said they would get it done right away. Nothing happened for another two weeks. I was informed that a Joe Simonson in Glendive, Montana was the man to police these matters. In a phone call he told me he would take care of the matter. In another two weeks I called him again and was informed that it was so far out they couldn't get trucks to haul the liquids from the sump pits but the pits could be trenched and it

would seep away. I said if this were an acceptable procedure, fine get it done. It was done in this manner. The site is left with paper sacks, cans, bottles and other trash scattered all around.

When the third site was to be staked, I was notified at 9 A.M. that the survey crew would be there at 1 P.M. that same day. This was the day which I was to be a pallbearer for my neighbor's funeral. No consideration was given to try to make it possible for me to be included in the process.

It seems there is no action for me to take to have these proble corrected, therefore, I support SB 16.

/s/ Sam Ritter

Sam Ritter Rt. 1 Box 56
Sidney, MT Phone 482-3119

☐ HAZEL DELL
Vancouver, Washington

☐ DOWNTOWN VANCOUVER
Vancouver, Washington

☐ YAKIMA
Yakima, Washington

☐ NAMPA
Nampa, Idaho

☐ HELENA
Helena, Montana

Shilo INNS

WOOD VILLAGE ☐
Gresham, Oregon

GRANTS PASS ☐
Grants Pass, Oregon

PORTLAND AIRPORT ☐
Portland, Oregon

LLOYD CENTER ☐
Portland, Oregon

My name is William Peterson and I am in favor of Senate Bill 16. I am a farmer at Culbertson in Roosevelt County. As already in the Northeastern Mont. Land and Mineral Owners Assoc. I have heard ~~many~~ several problems concerning annual rentals and problems concerning severed minerals. In my own case I have very few mineral acres, most of mineral rights were retained by former owners of the land. As a landowner with severed minerals I am concerned with the loss of agriculture production from well site, roads and other land used for oil and gas production. I believe the surface owner should be compensated each years loss of production & taxes during drilling development & production on actual acres used. Thank You

2020 PROSPECT AVENUE • HELENA, MONTANA 59601 • (406) 442-0320

1-28-81

Testimony of Richard Boese - Richey, Mt.
pertaining to Senate Bill 16

During the first part of 1981 - early January - Amoco Oil Co. arrived at my home - without notice - and said we want to build a road through my property for access to a well site just 670 feet beyond the end of my land. The length of the road was one mile. They asked for a 60 ft. right away. Amoco's offer was $8.00 a running rod which amounted to $2560. The number of acres lost is 7.28 acres, which means I would receive $351.65 per acre to retire this land. No damages would be paid for the winter-wheat torn out and the whole harmless clause was excluded - which means - I - the land-owner am liable for any accident or whatever that could happen on this road. Amoco - said - we need your O.K. today as the rig - crew - surveyors etc. are ready to come in tomorrow. I - then - asked for $1 extra per rod - which would add $320 and damages - to my winter-wheat of 35 bu. per acre times $4.50 per bu. yield. Total amount for 2 acres - $315.00. I was turned down - with the words - we will get in there some other way.

Two weeks later - Amoco - returns. They want to know if I'll re-consider. I said - Yes - but under different terms. I asked for $5.00 a square rod the first year which equals $799.20 per acre lost to production and retiring the land plus an annual rental of $3.00 per acre which equals $479.52 per acre and should the well be a dry one and they back out of there - our annual rental agreement is null and void. Now - remember I would still own the land - they would pay no taxes for its use - I would lose 7.28 acres of land - and production and this would not improve the land if it went up for sale. Amoco

walked out - saying we will not set a precedent and we will not improve on our first offer - which doesn't even cover what the land would sell for and be in production.

By the same token - the actual well site which is 500 feet square (it was 400 feet square until a recent settlement on 500 feet square held up in Court on the Erickson Well Site near Vida, Mt.) brought - $2,000 for 5.74 acres - or $348 per acre - well below the saleable price. They have set a precedent here - because Well site No. 3 received $3900. This is to prove - that unless words are put on paper etc. - any verbal agreement is worthless. And yet - $3900 equals an $679.44 per acre. This all is a one shot deal - no annual lease of land etc. - or compensation for production loss or taxes, etc.

As you can see - we have no bargaining power at all. In my case - Amoco - is now driving 15 miles from Richey to reach this new well site - imagine the extreme extra cost as against compensating me fairly to have access of only 4 miles from Richey.

We - are not asking for the moon in this bill - we are asking for a chance to get a foot in the door - not for today alone - but that the younger generation in the future, - including my 12 year old twin boys, that they can say - at least our Fathers got their foot in the door - now let's work together and improve on the situation.

I ask this Committee to approve Senate Bill 16 unanimously for when an Oil Company wants your property they don't care whether you are Republican or Democrat.

SENATE BILL NO. 16

INTRODUCED BY SMITH

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE MINERAL DEVELOPERS TO GIVE WRITTEN NOTICE TO SURFACE OWNERS OF INTENT TO BEGIN DRILLING OPERATIONS; TO REQUIRE MINERAL DEVELOPERS TO COMPENSATE SURFACE OWNERS FOR DAMAGES CAUSED BY DRILLING OPERATIONS; [illegible]

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Purpose -- legislative findings. (1) The purpose of [this act] is to provide for the protection of surface owners of land underlain with oil and gas reserves while allowing for the necessary development of those reserves.

[illegible]

[illegible]

Section 2. Definitions. As used in [this act], the following definitions apply:

(1) "Agricultural production" means the production of any growing grass or crop attached to the surface of the land, [illegible]

(2) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

(3) "Drilling operations" means the exploration for or drilling of an oil and gas well that requires entry upon the surface estate and is begun subsequent to [the effective date of this act] and the production operations directly related to the exploration or drilling, SUBSEQUENT TO THE EFFECTIVE DATE OF THIS ACT.

~~(4) "Mineral developer" means~~ the person who acquires the mineral estate or lease for the purpose of extracting or using the minerals for nonagricultural purposes.

(5) "Mineral estate" means an estate in or ownership of all or part of the minerals underlying a specified tract of

INTRODUCED BIL

SB16

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(5) "Mineral estate" means an estate in or ownership of all or part of the minerals underlying a specified tract of

INTRODUCED BIL

SB16

land.

(6) "Minerals" means oil and gas.

(7) "Surface estate" means an estate in or ownership of the surface of a particular tract of land.

(8) "Surface owner" means the person who has possession of the surface of the land either as an owner or as a tenant.

INTENT TO DRILL

Section 3. Notice of [illegible] In addition to the requirements for geophysical exploration activities governed by Title 82, chapter 1, part 1, the mineral developer shall give the surface owner written notice of the INTENTION TO DRILL. [illegible] This notice shall be given to the record surface owner at his address as shown by the records of the county clerk and recorder at the time the notice is given. [illegible]

Section 4. Surface damage [illegible] The mineral developer shall pay the surface owner [illegible] FOR [illegible] damages sustained by the surface owner for loss of agricultural production and income [illegible]

[illegible] caused by drilling operations. The amount of damages SHALL be determined by any formula mutually agreeable between the surface owner and the mineral developer. NEGOTIATIONS FOR THE SETTLEMENT OF SURFACE DAMAGES SHALL COMMENCE NO LATER THAN 60 (SIXTY) DAYS FOLLOWING THE DRILLING OF AN OIL OR GAS WELL. [illegible]

[illegible] Unless both [illegible] compensation may accept [illegible].

Section 5. Rejection — legal action. If the person seeking compensation rejects the offer of the mineral developer, that person may bring an action for compensation in the district court of the county in which the damage was sustained. [illegible]

Section 6. Remedies cumulative. The remedies provided by [this act] do not preclude any person from seeking other remedies allowed by law.

Section 7. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in

one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

-End-

SB16

From the Desk of . . .

W. M. VAUGHEY, JR.
P.O. BOX 46
(406) 265-5421
HAVRE, MT. 59501

. M. VAUGHEY, JR.
P.O. Box 46
HAVRE, MONTANA 59501
(406) 265-5421

January 27, 1981

Senator Dover:

I am naturally tickled to death that you are back in Helena representing the Lewistown area. As you know, I have long felt it most important that more individuals who are in business, men and women, serve in our Legislative bodies.

Linda and I plan to be over towards the end of February and will be certain to call by the Senate to pay our respects.

Sincere good wishes for a productive session this time around.

Best regards,

Bill

business in North-
landman representing
ng in our state been
closely involved with compensa- images incurred both
the result of drilling operations on their land the ..om production of oil
and gas discovered as a result of that drilling.

While I salute the avowed end of proposed Senate Bill 16, that is, fair compensation to landowners for these type damages, I write to respectfully submit that in my opinion, the measure as drafted cannot be practically applied to achieve this end. I will comment on this bill as follows:

Section 3. Notice of drilling operations
A cardinal sin in drilling operations is to move on the land of a lessor without giving him prior notice. No prudent operator fails to do so, and the telephone is normally the means by which this is done.

The matter of actual delivery of the notice outlined in this section raises questions in my mind. First the surface owner within the definition of the act is often, say in the case of the winter months, out of the state for extended periods of time. Some protection, therefore, in my opinion, should be given the lessee in that he should be required to only accomplish a specific act, like posting a registered letter to the surface owner, in order to satisfy this section. If this section is not correctly drawn, I can see a lot of resultant undue delays in drilling operations, which inures to the benefit of no one.

Section 4. Surface damage and disruption payments
In both the unsuccessful exploratory test and the producing well situation in our area, damages are universally paid the surface owner, regardless of whether he is the mineral owner, on the basis of damages as damages occur. That is, after a dry hole has been plugged and abandoned and the site restored, payment is made to the surface owner on the basis of actual damage to the land. In the case of a producing well, damage to the land is reviewed on the ground by the surface owner and the well operator on an annual, bi-annual, or tri-annual basis, and damages are awarded the surface

W. M. VAUGHEY, JR.
P. O. BOX 46
HAVRE, MONTANA 59501
(406) 265-5421

January 27, 1981

The Honorable Harold Dover, Chairman
Senate Natural Resources Committee
Montana State Senate
Capital Station
Helena, MT 59601

RE: Senate Bill 16

Dear Senator Dover:

As you know, I have been in the oil and gas exploration business in North-central Montana for 13 years. Because I came here as a landman representing a company which drilled many wells, I have since arriving in our state been closely involved with compensation to landowners for damages incurred both the result of drilling operations on their land the from production of oil and gas discovered as a result of that drilling.

While I salute the avowed end of proposed Senate Bill 16, that is, fair compensation to landowners for these type damages, I write to respectfully submit that in my opinion, the measure as drafted cannot be practically applied to achieve this end. I will comment on this bill as follows:

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owner on the basis of actual damages suffered. Since these vary greatly, mainly with conditions of wetness during equipment moves, this is the only way that fair compensation can be made. It would be impossible in our area to accurately forecast what dollar amount would properly get the job done.

Section 5. Damages for negligence and nuisance
This section, it would seem to me, opens a Pandora's Box welcome only to a damage suit lawyer or a landowner seeking unjust reward. Protections in any oil and gas lease suffice to make this section unneeded and I think it should be eliminated.

Section 6. Notification of injury
My feelings about this section are similar to those of Section 5, except stronger. This section should be eliminated.

Section 7. Agreement - offer of settlement.
I think this section would create a great deal of unnecessary paper work for both parties concerned. At worst, allowance for the parties to amicably agree without formal paper work should be incorporated into this section.

Section 8. Rejection - legal action - fees and costs
The converse of the last sentence of this section should certainly be allowed for, or an unfair advantage is given the surface owner as well as a great incentive to negotiate for compensation through the courts.

In closing, it certainly should be the sense of this act that its effect in no way will serve to discourage exploration for oil and gas in Montana. No "veto right" or "stalling power" should be awarded the surface owner, for to do so is not in the best interest of the people of our state.

Sincerely,

W. M. Vaughey, Jr.
Independent Oil & Gas Producer

WMV:lls

cc: All members of the Senate Natural Resources Committee

MINUTES OF MEETING
SENATE NATURAL RESOURCES
February 2, 1981

The seventh meeting of the Natural Resources Committee was called to order by Senator Harold Dover, Chairman, at 1:00 P.M., on the above date in Room 405 of the State Capitol Building.

ROLL CALL: All members were present.

CONSIDERATION OF SB 229:

AN ACT TO PROVIDE FOR HYDROELECTRIC POWER GENERATION AT APPROPRIATE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION WATER PROJECTS; PROVIDING FOR THE LEASE OF SUCH PROJECTS FOR THE PURPOSE OF POWER GENERATION; SPECIFICALLY AUTHORIZING THE CONSTRUCTION AND OPERATION OF SUCH FACILITIES BY THE DEPARTMENT IF NO LEASE IS CONSUMMATED; AND ESTABLISHING THE METHOD OF SALE OF POWER GENERATED AT SUCH FACILITIES.

Senator Turnage, District #46, presented this bill to the committee. He advised that the bill would require the Department of Natural Resources to make a study and report as to the possibility of developing hydroelectric generating facilities in state water projects. If the project seems feasible then a lease will be made out. The Department may not sell power generated at a facility except to a public utility or a rural electrical cooperative, organized in Montana and selling power to Montana customers. He requested Leo Barry, Department of Natural Resources, to testify on behalf of this bill and to present amendments.

Leo Barry, Department of Natural Resources, reviewed this bill and supports it as it will provide a reasonable approach to solving the need to repair some of the state owned projects to utilize existing hydroelectric capabilities on state owned projects. This does not mean that the Department of Natural Resources will plan to develop generating facilites on its own. Mr. Barry furnished written testimony and amendments proposed for this bill. (copy attached)

Bill Opitz, PSC, supports this bill with a request that it be amended on page 7, line 23 by striking the word "levelized" before the phrase "avoided cost".

There being no other proponents to this bill Chairman Dover asked for opponents.

Senator Brown was involved in a dispute between a peat miner and a landowner who was concerned about the hole, which was 18 to 20 feet deep, and he was worried about his cows getting into the area. The peat miner agreed to fence off the mining area.

Senator Manley explained that peat was a grown over lake and you ended up with a lake when the peat was all dug out.

Senator Ryan said that this is a renewable resource. The peat will regenerate after the lake is cleaned out.

Senator Manley said that from testimony received this just involves a couple of small businessmen in the state of Montana, and he motioned that SB 80 receive a "DO PASS". The motion passed unanimously.

DISPOSITION OF SB 16:

Senator Keating furnished copies of the amended bill.

Senator Tveit motioned that we accept the amendments.

Senator Brown asked if in Section 2, sub-section (1) if they were meaning to limit damages to agricultural production and not include recreational land. Subsurface owner means anybody who has interest in the land.

Senator Van Valkenburg said that if we passed the bill it could conceivably be signed by the governor the first of April, which would mean that it would not be effective until May 1. There could be some oil companies that want to get some development done before the bill goes into effect and he feels it should be effective on passage and approval of this bill.

Senator Brown asked for time to review the amendments and suggested the committee get together on Wednesday, February 4th, for final disposition of this bill.

Chairman Dover advised the committee that we would have executive session on Wednesday, February 4th, for final disposition of this bill.

DISPOSITION OF SB 165: Senator Keating motioned that we accept the amendment offered to SB 165. The motion passed unanimously.

Senator Van Valkenburg motioned that SB 165 "DO PASS" as amended. The motion passed unanimously.

ADJOURNMENT: There being no further business, the meeting adjourned at 3:00 P.M.

Harold Dover

HAROLD DOVER, Chairman

DISPOSITION OF SJR 11: Senator Manley made a motion that SJR 11 do pass. Senator Van Valkenburg made a substitute motion that the amendment offered by Senator Bob Brown be accepted. The motion passes unanimously. Senator Manley motioned that SJR 11 do pass as amended. The motion passed unanimously.

DISPOSITION OF SB 16: Katherine Orr furnished a copy of the amendments to SB 16, with an additional amendment to be added to the list numbered 52(a). (see attached)

Senator Van Valkenburg said that he felt a mistake was being made in amendment number 59, which takes out the ability of the surface owner to collect attorneys fees from the developer if the award is not sufficient. This will give the developer an advantage. Senator Van Valkenburg made a motion that we accept amendments 1-58, including 52(a), and 60. The motion passed unanimously.

Senator Van Valkenburg feels that with this amendment the developer will be in a much better position financially whereby the surface owner will be more agreeable to a smaller settlement.

Senator Elliott questioned whether the original wording on the bill could be amended to read that if the amount of compensation awarded by the court is $50.00 greater, the court shall award the person seeking ccmpensation reasonable attorney fees.

Senator Van Valkenburg suggested that instead of a dollar amount that a percentage be used. Twenty-five percent sounds reasonable.

Senator Tveit feels that with amendment #59 the bill is fair to both sides. The intent of the bill is not this amendment.

Senator Keating said that contracts and legislation are supposed to be written to avoid litigation. To amend this bill as Senator Van Valkenburg has proposed will create an incentive for litigation.

Senator Elliott said that if both the opponents and proponents of this bill agree that this should be stricken, why should it be left in.

Senator Brown said as a bargaining condition.

Senator Van Valkenburg's motion is that we strike amendment #59. The motion was killed with a vote of 5 for and 7 against.

Senator Brown made a substitute motion that we amend SB 16, page 5, line 16, to read as follows: "awarded by the court is equal to or greater than the last written claim for compensation submitted by the surface owner, the court shall award the person . . ."

The motion was killed by a vote of 3 for, 9 against.

Senator Manley made a motion that the bill do pass as amended. The motion passed unanimously.

ADJOURNMENT: There being no further business, the meeting adjourned at 3:10 P.M.

Harold Dover

HAROLD DOVER, Chairman

Master

Exhibit

Amendments to SB 16

1. Title, line 4.
Following: "REQUIRE"
Strike: "MINERAL"
Insert: "OIL AND GAS"

2. Title, line 5.
Following: "DEVELOPERS"
Insert: "OR OPERATORS"

3. Title, line 6.
Following: "REQUIRE"
Strike: "MINERAL"
Insert: "OIL AND GAS"

4. Title, line 7.
Following: "DEVELOPERS"
Insert: "AND ~~PRODUCERS~~ OPERATORS"

5. Title, line 8.
Following: "DRILLING"
Insert: "AND PRODUCTION"

6. Title, line 9.
Following: "CONDITIONS"
Insert: "AND PROVIDING AN EFFECTIVE DATE"

7. Page 1, lines 19 through 21.
Following: "to" on line 19
Strike: "exercise the power of the state to protect the public welfare of Montana, which is largely dependent on agriculture, and to"

8. Page 2, line 3.
Following: "estate"
Strike: "and other persons"

9. Page 2, line 4.
Following: "for"
Strike: "injury to their persons or"
Insert: "use of their"

10. Page 2, line 10.
Following: "grass"
Strike: "or crop"
Insert: ", crops or trees"

11. Page 2, lines 11 and 12.
Following: "land,"
Strike: "whether or not the grass or crop is to be sold commercially, and the production of any"
Insert: "or"

12. Page 2, line 12.
Following: "animals"
Strike: ", whether or not the animals are to be sold commercially"
Insert: "with commercial value."

13. Page 2, lines 14 and 15.
Strike: subsection (2) in its entirety.
Renumber subsequent subsections.

14. Page 2, line 16.
Following: "(3)"
Strike: "'Drilling'"
Insert: "'Oil and gas'"

15. Page 2, line 21.
Following: "(4)"
Strike: "'Mineral'"
Insert: "'Oil and gas'"

16. Page 2, line 21.
Following: "developer"
Insert: "and operator"

17. Page 2, line 22.
Following: "the"
Strike: "mineral estate or"
Insert: "oil and gas"

18. Page 2, line 22.
Following: "extracting"
Strike: "or using the minerals for nonagricultural purposes."
Insert: "oil and gas."

19. Page 2, line 24.
Following: "(5)"
Strike: "'Mineral'"
Insert: "'Oil and gas'"

20. Page 2, line 25.
Followiing: "the"
Strike: "minerals"
Insert: "oil and gas"

21. Page 3, line 2.
Strike: subsection (6) in its entirety.
Renumber: subsequent subsections.

22. Page 3, lines 3 and 4.
Strike: subsection (7) in its entirety.
Renumnber: subsequent subsection.

23. Page 3, line 5.
Following: "who"
Strike: "has possesion of"
Insert: "holds record title to or has a purchaser's interest in"

24. Page 3, line 6
Following: "land"
Strike: "either as an owner or as a tenant."

25. Page 3, line 10.
Following: "the"
Strike: "mineral"
Insert: "oil and gas"

26. Page 3, line 11.
Following: "developer"
Insert: "or operator"

27. Page 3, lines 18 through 21.
Strike: "Included with this notice shall be a form prepared by the board advising the surface owner of his rights and options under [this act]."

28. Page 3, line 23.
Strike: "mineral"
Insert: "oil and gas"

29. Page 3, line 23.
Following: "developer"
Insert: "or operator"

30. Page 3, line 23.
Following: "money"
Insert: "or other compensation"

~~31. Page 3, line 23.~~
~~Following: "money"~~
~~Insert: "or other compensation"~~

Remember amendment numbers ↓

31
~~32~~. Page 4, line 4.
Folloiwng: "the"
Strike: "mineral"
Insert: "oil and gas"

32
~~33~~. Page 4, line 4.
Following: "developer"
Insert: "and operator"

33
~~34~~. Page 4, line 11.
Following: "operations:
Insert: "and production"

34
~~35~~. Page 4, line 16.
Following: "Damages"
Strike: "for negligence and nuisance."

35
~~36~~. Page 4, line 17.
Strike: "mineral"
Insert: "oil and gas"

36
~~37~~. Page 4, line 17.
Following: "developer"
Insert: "and operator"

37
~~38~~. Page 4, lines 17 and 18.
Following: "to" on line 17
Strike: "person or"

~~39~~38
~~40~~. Page 4, line 19.
Following: "by the"
Strike: "mineral"
Insert: "oil and gas"

~~41~~39 Page 4, line 19.
Following: "developer"
Insert: "or operator"

~~42~~40
~~43~~. Page 4, line 19.
Following: "The"
Strike: "mineral"
Insert: "oil and gas"

~~43~~41
~~44~~. Page 4, line 20.
Following: "developer"
Insert: "or operator"

42
~~45~~. page 4, line 20.
Following: "is"
Strike: "also"

43
~~44~~. Page 4, line 20.
Following: "for"
Strike: "all"

~~45~~44
~~46~~. Page 4, line 20.
Following: "damages to"
Strike: "person or"

45
~~46~~. Page 4, line 21.
Following: "personal,"
Strike: "resulting from a nuisance"

46
~~47~~. Page 4, line 22.
Following: "operations"
Insert: "and production."

47
~~48~~. Page 4, line 23.
Following: "injury"
Insert: "to property"

48
~~49~~. Page 4, line 24.
Following: "a"
Strike: "person"
Insert: "surface owner"

49
~~50~~. Page 4, line 24.
Following: "shall"
Strike: "notify"
Insert: "give written notice to"

50
~~51~~. Page 4, line 25.
Strike: "mineral"
Insert: "oil and gas"

51
~~52~~. Page 4, line 25.
Following: "developer"
Insert: "or operator"

52) Page 4, line 25
Following: "the"
Strike: "person"
Insert: "surface owner"

53. Page 5, line 5.
Following: "the"
Strike: "mineral"
Insert: "oil and gas"

54. Page 5, line 5.
Following: "developer"
Insert: "or operator"

55. Page 5, line 8.
Following: "The"
Strike: "person"
Insert: "surface owner:

56. Page 5, line 10.
Following: "legal action"
Strike: " -- fees and costs"

57. Page 5, line 12.
Following: "the"
Strike: "mineral"
Insert: "oil and gas"

58. Page 5, line 12.
Following: "developer"
Insert: "or operator"

59. Page 5, lines 15 through 19.
Following: "sustained"
Strike: "If the amount of compensation awarded by the court is greater than that which had been offered by the mineral developer, the court shall award the person seeking compensation reasonable attorney fees and any cost assessed by the court."

60. Page 6, line 3.
Insert: "Section 11. Effective date. This act is effective on June 1, 1981."

STANDING COMMITTEE REPORT

February 4, 19 81

MR. PRESIDENT

We, your committee on NATURAL RESOURCES

having had under consideration SENATE Bill No. 16

Respectfully report as follows: That SENATE Bill No. 16

be amended as follows:

1. Title, line 4.
Following: "REQUIRE"
Strike: "MINERAL"
Insert: "OIL AND GAS"

2. Title, line 5.
Following: "DEVELOPERS"
Insert: "OR OPERATORS"

3. Title, line 6.
Following: "REQUIRE"
Strike: "MINERAL"
Insert: "OIL AND GAS"

~~AND AS~~

1/c

(Continued)

Chairman.

STATE PUB. CO.
Helena, Mont.

February 4, 19 81

4. Title, line 7.
Following: "DEVELOPERS"
Insert: "AND OPERATORS"

5. Title, line 8.
Following: "DRILLING"
Insert: "AND PRODUCTION"

6. Title, line 9.
Following: "CONDITIONS"
Insert: "AND PROVIDING AN EFFECTIVE DATE"

7. Page 1, lines 19 through 21.
Following: "to" on line 19
Strike: "exercise the power of the state to protect the public welfare of Montana, which is largely dependent on agriculture, and to"

8. Page 2, line 3.
Following: "estate"
Strike: "and other persons"

9. Page 2, line 4.
Following: "for"
Strike: "injury to their persons or"
Insert: "use of their"

10. Page 2, line 10.
Following: "grass"
Strike: "or crop"
Insert: ", crops or trees"

11. Page 2, lines 11 and 12.
Following: "land,"
Strike: "whether or not the grass or crop is to be sold commercially, and the production of any"
Insert: "or"

12. Page 2, line 12.
Following: "animals"
Strike: ", whether or not the animals are to be sold commercially."
Insert: "with commercial value."

13. Page 2, lines 14 and 15.
Strike: subsection (2) in its entirety.
Renumber subsequent subsections.

(continued)

Chairman.

STATE PUB. CO.
Helena, Mont.

February 4, 19 81

14. Page 2, line 16.
Following: "(3)"
Strike: "'Drilling'"
Insert: "'Oil and gas'"

15. Page 2, line 21.
Following: "(4)"
Strike: "'Mineral'"
Insert: "'Oil and gas'"

16. Page 2, line 21.
Following: "developer'"
Insert: "or operator'"

17. Page 2, line 22.
Following: "the"
Strike: "mineral estate or"
Insert: "oil and gas"

18. Page 2, line 22.
Following: "extracting"
Strike: "or using the minerals for nonagricultural purposes."
Insert: "oil and gas."

19. Page 2, line 24.
Following: "(5)"
Strike: "'Mineral'"
Insert: "'Oil and gas'"

20. Page 2, line 25.
Following: "the"
Strike: "minerals"
Insert: "oil and gas"

21. Page 3, line 2.
Strike: subsection (6) in its entirety.
Renumber: subsequent subsections.

22. Page 3, lines 3 and 4.
Strike: subsection (7) in its entirety.
Renumber: subsequent subsection.

23. Page 3, line 5.
Following: "who"
Strike: "has possession of"
Insert: "holds record title to or has a purchaser's interest in"

24. Page 3, line 6.
Following: "land"
Strike: "either as an owner or as a tenant."

(continued)

Chairman.

STATE PUB. CO.
Helena, Mont.

25. Page 3, line 10.
Following: "the"
Strike: "mineral"
Insert: "oil and gas"

26. Page 3, line 11.
Following: "developer"
Insert: "or operator"

27. Page 3, lines 18 through 21.
Strike: "Included with this notice shall be a form prepared by the board advising the surface owner of his rights and options under [this act]."

28. Page 3, line 23.
Strike: "mineral"
Insert: "oil and gas"

29. Page 3, line 23.
Following: "developer"
Insert: "or operator"

30. Page 3, line 23.
Following: "money"
Insert: "or other compensation"

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Following: "the"
Strike: "mineral"
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Following: "operations:"
Insert: "and production."

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Following: "Damages"
Strike: "for negligence and nuisance"

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Strike: "mineral"
Insert: "oil and gas"

36. Page 4, line 17.
Following: "developer"
Insert: "or operator"

(continued)

Chairman.

STATE PUB. CO.
Helena, Mont.

February 4, 19 81

37. Page 4, lines 17 and 18.
Following: "to" on line 17
Strike: "person or"

38. Page 4, line 19.
Following: "by the"
Strike: "mineral"
Insert: "oil and gas"

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Following: "developer"
Insert: "or operator"

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Following: "The"
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Insert: "oil and gas"

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Following: "developer"
Insert: "or operator"

42. Page 4, line 20.
Following: "is"
Strike: "also"

43. Page 4, line 20.
Following: "for"
Strike: "all"

44. Page 4, line 20.
Following: "damages to"
Strike: "person or"

45. Page 4, line 21.
Following: "personal,"
Strike: "resulting from a nuisance"

46. Page 4, line 22.
Following: "operations"
Insert: "and production."

47. Page 4, line 23.
Following: "injury"
Insert: "to property"

48. Page 4, line 24.
Following: "a"
Strike: "person"
Insert: "surface owner"

(continued)

Chairman.

STATE PUB. CO.
Helena, Mont.

49. Page 4, line 24.
Following: "shall"
Strike: "notify"
Insert: "give written notice to"

50. Page 4, line 25.
Strike: "mineral"
Insert: "oil and gas"

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Following: "developer"
Insert: "or operator"

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Following: "the"
Strike: "person"
Insert: "surface owner"

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Following: "the"
Strike: "mineral"
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Following: "sustained."
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(continued)

Chairman.

STATE PUB. CO.
Helena, Mont.

February 4, 19 81

60. Page 6, line 3.
Insert: "Section 11. Effective date. This act is effective on June 1, 1981."

And, as so amended,
DO PASS

HAROLD L. DOVER Chairman.

STATE PUB. CO.
Helena, Mont.

NATURAL RESOURCES COMMITTEE

47th Legislature

Bill No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
SJR 5	...urging the U. S. Congress to enact legislation necessary to assure resumption of construction of additional generating units at Libby ...	2/16/81	Hafferman, et.al.	3/18/81	TABLED	
776	An act to provide grants to local government units from the metal mines license tax to lessen economic hardship caused by metal mining;...	2/16/81	Harrington, Menahan, et.al.	TRANSFERRED TO TAXATION		2/18/81
HJR 40	...urging the U. S. Congress to amend the federal land policy and management act of 1976 to delete certain provisions relating to recording...	2/17/81	Brand, Marks, et.al.	2/20/81	DO PASS	2/20/81
HJR 42	...that the governor negotiate an interstate compact with the state of Washington and other interested western states to provide for regional...	2/17/81	D. Brown, Iverson	2/20/81	AS AMENDED DO PASS	2/20/81
SB 16	An act to require mineral deveopers to give written notice to surface owners of intent to begin drilling operations; to require ...	2/18/81	Ed Smith	3/4/81	BE CONCURRED IN	3/13/81
HJR 44	...supporting efforts by U.S. Senator Melcher to modify the congressional crude oil windfall profit tax act of ...	2/21/81	Vinger			

MINUTES OF THE MEETING OF THE NATURAL RESOURCES COMMITTEE
MARCH 4, 1981

The House Natural Resources Committee convened in Room 437 of the Capitol Building on Wednesday, March 4, 1981, at 12:45 p.m. with CHAIRMAN DENNIS IVERSON presiding and fourteen members present (REP. NEUMAN was excused and REPS. NORDTVEDT, QUILICI, and HUENNEKENS were absent).

CHAIRMAN IVERSON opened the hearing on SB 16.

SENATE BILL 16 SENATOR ED SMITH, sponsor, presented the bill which would require mineral developers to give written notice to surface owners of the intent to begin drilling operations, to require mineral developers to compensate surface owners for damages caused by drilling operations, and to allow such compensation to be made in annual installments. See Exhibit 1.

Speaking as a proponent was DON ALLEN, Montana Petroleum Association, who said his organization had worked with the sponsor to develop this bill and that it is a compromise. He supported the bill without amendment.

SENATOR LARRY TVEIT spoke in favor of the bill. See Exhibit 2.

JO BRUNNER, Women Involved in Farm Economics, spoke in favor. See Exhibit 3.

PAT UNDERWOOD of the Montana Farm Bureau testified in support of the bill. See Exhibit 4.

Also speaking in favor of the bill were CHRIS JOHNSON, Montana Farmers Union; REP. JOHN SHONTZ; PAT OSBORNE, Northern Plains Resource Council.

There were no OPPONENTS.

SENATOR SMITH closed on the bill.

During questions from the committee, REP. KEEDY questioned the method by which owners can reach an agreement with the company. He asked what does happen when the companies and the people cannot agree. SENATOR SMITH answered that the courts will solve that type of problem.

REP. ROTH asked how the law would be enforced. SENATOR SMITH again stated that the courts would handle it.

REP. KEEDY questioned the part of the bill which referred to the impacted land only being covered. There could be direct impact on only a small area and yet a large impact on the rest of the ranch. SENATOR SMITH said the landowner would be paid for the inconvenience and disruption.

REP. KEEDY asked about the effective date of June 1. SENATOR SMITH said that would give the companies time to get the word out.

REP. SHELDEN asked if the Senator felt the recourse of going to court will have to be used often. REP. SHONTZ answered that interest will be paid from the date of injury to the person or property which will help prevent long court cases.

The hearing closed on SB 16 and opened on SB 165.

SENATE BILL 165 SENATOR ED SMITH, sponsor, presented the bill which would provide for compensatory royalties in lieu of offset drilling on state oil and gas leases. The Legislative Finance Committee went over the income of the Department of State Lands and felt the department was not getting fair compensation for oil leases.

DAVID WOODGERD, Department of State Lands, spoke as a proponent of the bill. See Exhibit 5.

DON ALLEN, Montana Petroleum Association, supported the bill saying the state should have the options provided.

SENATOR LARRY TVEIT also spoke in favor.

There were no OPPONENTS.

SENATOR SMITH closed on the bill.

During questions from the committee, REP. KEEDY questioned the language referring to non-producing leases. REP. BROWN explained that non-producing means there is not a well actually producing gas or oil.

REP. SHELDEN asked if this problem arises with owners of private lands. MR. ALLEN replied that private owners can go to the gas and oil board to handle their problems.

The hearing closed on SB 165.

EXECUTIVE SESSION SENATE BILL 16 REP. MUELLER moved DO PASS on the bill.

REP. KEEDY stated that he felt people could do without the bill. If the parties cannot make agreement, they must go to court. He suggested adding a section that was previously stricken.

CHAIRMAN IVERSON said there are two different types of property rights at issue. It is impossible to say which is superior.

REP. ROTH mentioned that there is no enforcement clause.

DEBBIE SCHMIDT, staff researcher, said the court has the authority to award fees and costs now. The language could be added to the bill but it is already implied.

REP. SHELDEN said he felt the surface owner should have notice and that the bill does not address that.

REP. HARP made a substitution motion of DO NOT PASS.

The committee decided to withdraw all previous motions and discuss the bill at a later date.

SENATE BILL 165 REP. MUELLER moved DO PASS on the bill. After some discussion on the definition of non-producing lease, the committee voted unanimously that the bill BE CONCURRED IN.

The meeting adjourned at 1:45 p.m.

Respectfully submitted,

DENNIS IVERSON, CHAIRMAN

Ellen Engstedt, Secretary

EXHIBIT 1

TESTIMONY

Mr. Chairman- Members of the Committee, I am Senator Ed Smith, District 1, sponsor of SB 16.

In no way is this proposed legislation being introduced to harrass the oil industry or hinder oil and gas production.

We need them and we certainly need the product they produce. We also appreciate the tax monies that the oil industry contributes to run our school systems and to County, State and Federal Government.

However, I do feel there are some problems that need to be corrected so a better spirit of cooperation can be created between the oil industry and land owner.

I would be remiss if I didn't add that many oil companies are already doing what we are attempting to do with this legislation, and I congratulate them for it.

Oil production and agriculture production can be compatable and many problems can be elimenated if better communication is brought about.

I come from an area where there has and is a considerable amount of oil production and exploration.

There are alot of problems and these same problems can develope in most areas of the state as increased oil and gas exploration continues.

I feel the surface owner should have rights and expect reasonable consideration when oil and gas development is experienced on their property, and more so when minerals are severed from the surface.

Some oil companies do comply with what is recommended in this proposed legislation.

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There are alot of problems and these same problems can develope in most areas of the state as increased oil and gas exploration continues.

I feel the surface owner should have rights and expect reasonable consideration when oil and gas development is experienced on their property, and more so when minerals are severed from the surface.

Some oil companies do comply with what is recommended in this proposed legislation.

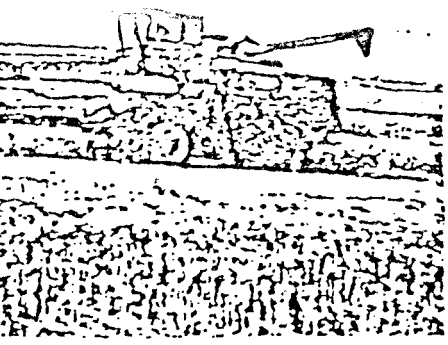
Others have a complete disregard for the surface owners rights. This is what we hope to change by this legislation.

(read) pass out letter

This type of legislation was introduced in the 1979 session of North Dakota legislature. It was passed, taken to court and upheld.

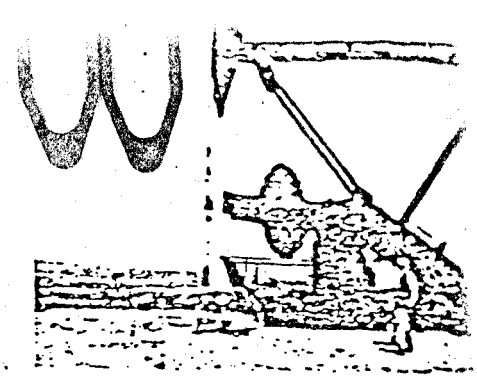
Their law is much more stringent then what we are proposing.

You will notice as I go through the bill that we have made several concessions to the oil industry.



Montana Land And Mineral Owners Association, Inc.

Westby, Montana 59275



I am Norman A. Nelson, a farmer in Northeast Montana. I'm in favor of Senate Bill #16. I am chairman of the Northeast Montana Land and Mineral Owners Association, Inc. The association represents about 3 million acres in Northeast Montana. The association was organized in 1975 because of the interest in the problems farmers and ranchers were having with oil activity.

Some of the members have tried to obtain an annual rental payment from several oil companies due to land taken out of production. But, they have been flatly refused time and time again. Few oil companies are already making these annual payments.

When an oil company can come and take up to 15 acres of your land out of production, and use it like Sun Oil Company has on our land, and use it for a period up to 35 years for an offer payment of $1450.00, and call that an honest and fair payment, something is wrong. We did receive a payment from Sun Oil in 1965, which we thought was for the location or drill site only. Then we discovered it was for <u>all</u> damages done on the first location.

That location consisted of about 5 acres. Since that time they have built 2 more locations—one was dry and the other is in production. So a total of about 18 acres has been involved.

Sun Oil then offered us a payment, a one-time payment, of $1450.00. We still pay taxes on the 640 acres of prime farm land. I might add all we have ever asked for was an annual payment based on loss of production.

Mr. Chairman, I have presented you with a copy of that check from Sun Oil which involves that $500.00 payment. Also, you have a letter from Centura Oil Company dated May 14, 1979. The letter states on line three they would pay a one-time rental fee for a surface easement. I might add that we have never signed any kind of easement. After all, we do own the land.

On page two of the same letter you will also note they did offer us $200.00 on this site after tearing up that amount of land. As I see it, an offer of $200.00 is ridiculous. Through the efforts of the landowner's association, we did finally receive a $2,500.00 payment after negotiations.

In another related matter, again pertaining to SunOil Company, in a letter dated December 12, 1980, you will note a settlement of damages. It states, if we accept, full settlement and compensation for all damages of every kind caused by incident to, or that which may result from the activities set forth below on the land described below, and do hereby fully release Sun Oil Company (Delevare) its joint operators, associates, agents, employees, successors, and assigns, from all claims therefore, which, I might add, is <u>forever</u>!

Again we tried to obtain an annual rental but Sun Oil refused.

I also would like to add we do not want to sell this land to anyone, at any price, but to farm the land in the best possible manner.

The Northeast Montana Land and Mineral Owner's Association has tried to persuade the oil companies to give the land owner an annual rental fee. Still, some of the companies have flatly refused. So we ask this committee to vote in favor of this Senate Bill #16.

In summing this up, 2 years ago the oil companies argued that they could not give the surface owner a 2½ percent overriding royalty. They argued, and maybe rightly so, that you cannot take property from someone and give it to someone else. Is that not what they are doing? Taking our land using it themselves—for nothing???

Thank you.

Norman A. Nelson

CENTURA INCORPORATED, 1108 Guaranty Bank Tower, Corpus Christi, Texas 78475 • Phone (512) 882-3321

May 14, 1979

MR. NORMAN A. NELSON
Westby, Montana 59275

RE: Coal Ridge Prospect
#1 C. W. Nelson
Sheridan County, Montana

Dear Mr. Nelson:

You are correct in your understanding that your location will be smoothed out. I suspect that by the time you receive this letter you will have been contacted by our dirt contractor.

However, your estimate and our estimate of the damage to your surface are way out of line. When I originally talked with you, before we had moved any equipment onto your property, we had tentatively agreed on damages if a location were built. The terms we discussed are as follows:

1) The access road would be less than 30 feet wide;

2) A five acre location would be $450.00. (5 acres x 28 bushels per acre = 150 bushels x $3.00 per bushel = $450.00)

3) In the event we completed the well as a producer we would pay a one-time rental fee for a surface easement.

During the same conversation you told me that you would send me your "standard damage agreement" to look over and discuss further. I never received any form of damage agreement from you.

Because our well on an offset location was a dry hole, we never built a location or moved in an actual "drilling rig." We merely leveled a location and moved in a spud unit. We did not dig any pits; we did not spill any salt water or drilling fluids; we did not spread any gravel, caliche or other surface material; and there were no crops on the location to damage.

Your request for $2,500.00 is not only considerably more than our tentative agreement for a location suitable for a drilling rig large enough to drill an 8,000 foot well but it is unreasonably high for the actual damage to the surface, if any at all.

Therefore, we will smooth out the location and return it to as near its original condition as feasible and pay you the sum of two hundred dollars as damages.

In view of the facts I believe this is a reasonable settlement and I further believe that any disinterested third party would agree.

If you have any questions, please call. If we do not hear from you a check in the amount of two hundred dollars payable to C. W. Nelson & Sons will be sent.

Yours very truly,

CENTURA INCORPORATED

John C. Heymann

JCH:dd

SIGNAL EXPLORATION INCORPORAT ENVER, COLORADO

INVOICE DATE	INVOICE NO.	VOUCHER NUMBER	GROSS	DISC. %	DISCOUNT AMOUNT	NET AMOUNT	TOTAL
668 10 11 65		10-044	500 00				500.00

Surface Damage Section 16, T35N, R58E $500.00

Lease No. 397

PLEASE DETACH AT PERFORATION BEFORE CASHING

SIGNAL EXPLORATION INCORPORATED
DENVER, COLORADO

DATE 10 11 65

No. 899 23-2 1620

COLORADO NATIONAL BANK
DENVER, COLORADO

PAY The sum of Five Hundred and no/100

PAY EXACTLY $ 500.00 DOLLARS CENTS

TO THE ORDER OF

Mr. C. W. Nelson
Route #1
Westby, Montana

SIGNAL EXPLORATION INCORPORATED

Received from Loren O.T.
on 6-18-74

Sun 6662A

SETTLEMENT OF DAMAGES

KNOW ALL MEN BY THESE PRESENTS: The undersigned hereby acknowledge receipt from SUN OIL COMPANY (DELAWARE), a corporation, Four Thousand and no/100---------- Dollars ($ 4,000.00), which is accepted by each of them in full settlement and compensation for all damages of every kind caused by, incident to, or that may result from the activities set forth below on the land described below, and do hereby fully release Sun Oil Company (Delaware its joint operators, associates, agents, employees, successors and assigns, from all claims therefor.

Payment of damages to wheat caused from the drilling of the State A-3 well and access road.

NOTE: It is agreed there will be no charge for the lease road along the section line.

NOTE: It is also understood and agreed between both parties that if Sun exceeds three (3) acres for the location of the said State A-3 well that Sun will pay C. W. Nelson & Sons, Inc. for the additional acreage.

Center of SE¼ of Section 16, Township 35 North, Range 58 East, Sheridan COUNTY, STATE OF Montana.

WITNESS our hands this _____ day of December, 1980.

WITNESSES:

_____

_____

_____

_____

C. W. NELSON & SON INC

By: _____
Name
Title

C&LA 1819

January 28, 1981

Testimony before the Natural Resources Committee.

I'm Steve Christian, Shelby, Montana, Director of Northern Montana Land and Mineral Owners Association, Inc.

Mr. Chairman and Member Senators:

I support Senate Bill 16 because I feel it will aid in communication between oil operators and landowners, which at present, I feel is the major problem with their relationship. It asks nothing from either party that is not carried on at this time by conscientious operators and landowners. It will be a definite aid for better relations between inexperienced or inconsiderate people.

This type of legislation has been sorely needed for some time, and will be especially valuable in areas of new exploration.

Therefore, I feel it is timely when we are locally and nationally conscious of the need for energy supplies. I also feel it will promote smoother relations and in many cases expedite operations.

I encourage this committee to send this bill to the floor with a Do Pass recommendation.

Thank you.

/s/ Steve Christian

When oil development started in the area, interest and curosity led me to visit the operations. The main thing to my interest and concern in the two locations visited was the liners in the sump pits being torn and rendered useless. The same thing happened on the first location on my place. This allows the waste disposals to saturate the soil.

The first location on my land disrupted the irrigation system and they promised it would be put in order. Attempts were made to correct it and I was asked if it looked like it might work. My reply: "I don't know until I run water in it and no one will know until it is surveyed and put on grade." After two years of not being able to irrigate my field, it was surveyed and put in right. The company's representative told me they felt they had fulfilled their obligation and have refused to compensate for production which was lost those two years that the field couldn't be irrigated. This amounts to approximately 5 Ton an acre for 2 years on 12 acres. 10 x 12= 120 tons at $100 a ton. 120 tons x 100 = $12000.00.

A second well was drilled on my place in a dryland area. It was non-productive and abandoned. The site wasn't cleaned up in two months after the rig had moved out and pits were full and ready to spill waste over the land and downstream into fish stocked water. I contacted the company and they said they would get it done right away. Nothing happened for another two weeks. I was informed that a Joe Simonson in Glendive, Montana was the man to police these matters. In a phone call he told me he would take care of the matter. In another two weeks I called him again and was informed that it was so far out they couldn't get trucks to haul the liquids from the sump pits but the pits could be trenched and it

would seep away. I said if this were an acceptable procedure, fine get it done. It was done in this manner. The site is left with paper sacks, cans, bottles and other trash scattered all around.

When the third site was to be staked, I was notified at 9 A.M. that the survey crew would be there at 1 P.M. that same day. This was the day which I was to be a pallbearer for my neighbor's funeral. No consideration was given to try to make it possible for me to be included in the process.

It seems there is no action for me to take to have these proble corrected, therefore, I support SB 16.

/s/ Sam Ritter

Sam Ritter Rt. 1 Box 56
Sidney, MT Phone 482-3119

Surface Law Stands up to Court Test

North Dakota's new surface owner law, which requires 30-day written notice to owners, is not unconstitutional.

This was the conclusion of Dist. Judge Gerald Glaser who heard the key test case brought by Amoco Production. The 1979 law, originally drafted by Rep. Jack Murphy, ended up in court in a case involving Murphy's son, Red Murphy.

Judge Glasser said he found no constitutional objections to the law but ruled in favor of Amoco on the issue that its lease with Murphy was not subject to provisions of the surface law.

"This does not mean that the surface owners are without recourse if damage has occurred," Judge Glasser said, "but it does mean that they will be limited to those rights in existence as of June 30, 1979."

The issue stemmed a restraining order Murphy got against Amoco when it moved Ratliff No. 6 to drill on the E½NE½ of Sec. 10-T146N-R96W in Dunn County Jan. 15, 1980.

(Continued On Back Page)

Mr. Chairman, my name is Bob Candee from Richey. I appreciate the opportunity to speak on behalf of Senate Bill 16. I represent myself and my neighbors. The purpose of my testimony is to point out that surface owners need further protection under the law.

Although I don't totally agree with Senate Bill 16, I think it is a step in the right direction. Montanans need a law to protect surface owners in oil development areas, where the minerals are owned by someone other than the surface owner.

In the past, land has been purchased when the buyer was unaware of what was to follow.He did not realize the impact of the OPEC nations and the surge of oil-related activity that has come since. The price of gas has jumped from around 30¢ a gallon to over a dollar a gallon, and the oil company profits have soared. He can also see the damage done by the old oil fields 30 years ago and the scars that were left on the land.

There are many land owners who don't own a single mineral acre, and yet have to put up with all the impact of the oil activity such as the destruction of his land, the traffic, the smell, and the stained and rusted out buildings due to the gas flares and the ruined water wells.

Cost of production should include compensation to the surface owner. Surface owners do not want to deny oil developers and mineral owners their legal rights or to stop any development. We wish to establish that the surface owner is entitled to fair compensation.

Compensation should be based on what the land is worth to the drilling company to set up on and use, rather than use for agricultural purposes. If someone wanted to buy your land for housing development, a trailer court, or gas plant, you wouldn't sell it to them for an agricultural price.

Fair compensation, in the eyes of Amaco, was for me to take their first offer or go to court. They refused to negotiate ~~anything~~ more, and refused to pay ~~any~~ annual rental. They agreed to notify me when they were going to move on, and didn't; I came home from Billings and they were digging up my field. They had my phone numbers, and knew where to locate me. Amoco was going to pay the surface damage amount to the former owner of the land because of the contract for deed. They gave me about 5 days notice. Other companies are paying annual rental in my area, and Amoco absolutely refused.

Wouldn't the oil companies and mineral owners be willing to share a small percentage of the profit to greatly improve the relations between the farmers and themselves... and wouldn't that be a better investment than giving it to the Federal Government? I strongly believe as much as anyone, in the free enterprise system, and making a profit, but I can't sit still while big oil plunders.

Can the oil companies, by virtue of a mineral lease, dictate how individual surface owners can use their land? The oil companies have constantly imposed their own settlements on surface owners, and it's time that we do something about it. They are so out of touch, and so isolated from the surface land, that they don't know the problems of the local people.

Who is better qualified to receive fair compensation: (1) the mineral owner who probably lives in Minneapolis or Seattle; (2) the oil company with its offices in Dallas or Denver; (3) the lease hound who lives in Billings; (4)or the farmer who lives on the land and has to try and reclaim it afterwards?

We would like to be friendly towards the oil companies, but we are constantly frustrated by the way that this bunch has been walking on us. It's incredible, in this day and age, that a surface owner has no rights.

Senate Bill 16 will not address all the issues [redacted]. It is, however, a step in the right direction, and I would urge this Committee to give Senate Bill 16 a "Do Pass" recommendation.

In the fall of 1978 an oil company consultant came to me and said they had an oil well site staked in my pasture.

This site was 1 mile from any existing roads.

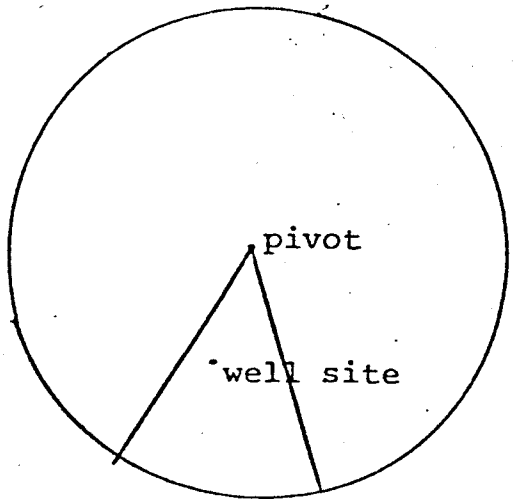
The consultant agreed to pay $2500 for the well site and $1000 for use of temporary road.

In the winter of 1978 they drilled an offset 600 feet from well #1. I got no damages for this site.

In the winter of 1978 Gulf drilled a well on adjacent property. They said that they wanted to use the temporary road but they should not have to pay damages since the lease company had farmed out part of the lease on my property to them and therefore, they had already shared in expense for the temporary road.

My property loss related to these two sites and road amounted to 18.15 acres and an additional 5.5 acres was damaged by the road. This would amount to a loss of about 2 grazing units to me so I asked for $1000 a year since calves were bringing about $500 a head at the time. They refused to pay this since they said that they have no bookkeeping system to handle annual payments.

I also recently installed a pivot irrigation system on adjacent property. If a well were drilled on this property it could involve a loss of about $2000 per year to me.



80 bu.	(duram yield our area under irrig.
10 Ac.	Loss to site
800 Bu loss	
$5	market price for duram
$4000	gross loss per year
2000	expenses in production
$2000	net loss per year

$2000	yearly loss
20	year est. well life
$40,000	loss over 20 years

/s/ Ronald Olsen
Dagmar, Montana

Testimony concerning S.B. 16 Directed to Senator Ed Smith.

The Montana Land and Mineral Owners Association is an organization based in noth central Montana which boasts a land owner membership in the area of two million acres ands has members scattered throughout the state. I served as president of this Association from January 1976 through January 1979.

During that period of time, with the full support of the board of directors, I attempted an several occasions to negotiate a procedure whereby the land owner would be properly compensated for loss of production other than normal drilling site and pipeline damages (be it grass or crop) on deeded land due to traffic and unnatural stress placed upon the land by those engaged in development and production of natural resources.

While some operators showed a certain willingness to negotiate a periodical payment to the land owner or to pay for damages as damages occur others quite flatly told the board, that such payments would be against company policy.

It is my understanding that at the present time some of the operator in this area have begun to make some such payments. Making the situation still more inequitable in view of the fact that only a small portion of land owners are receiving payments at this time.

These are my reasons for supporting Senate Bill 16.

Charles H. Patterson

cc Audrey Rath
Allen Kolstad

TESTIMONY

On April 18, 1978, we received a telephone call from an oil company stating they had staked a well site on our place. He said they were starting on the site the next day, which they did. During the conversation, we asked them to have a representative from the company to stop in and discuss the well and damages. He said someone would and not to worry, they would pay for damages. No one came and after repeated attempts to get someone, three months passed.

July 18, 1978, the well was called a dry hole and abandoned. July 19 we received a call from their claims man who said he would be there the next day. He came on the 20th and during the discussion of damages, I asked what they were paying. He said about "$800.00 to $900.00." I told him that it wasn't enough and I asked him if he had seen the site and he said he hadn't. I told him what I wanted and he said he would take it back to his company. They sent me a check for $1125.00. We returned the check and told them it was insufficient and did not want payment until the site was leveled and completed to our satisfaction.

During the fall they hauled about 50% of the water our of the pit and it was left for the winter.

In the spring of 1979, run-off filled the pit and spread onto the site. I called the company and they hauled ecough water to lower it about one foot. Nothing was done the rest of 1979, after repeated calls.

In the spring of 1980, they lucked out. There wasn't enough water to fill the pit and run over.

In July of 1980, they emptied the pit and levelled the site and finished the end of July.

As of this day I haven't heard from the company. We have turned this over to our attorney.

The site is in no condition to raise a crop in 1981 and will not be in full production for years to come.

The land owner should not have to subsidize the oil companies for their exploration.

DONALD SYME

TESTIMONY

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DONALD SYME

Mr. Chairman and Members of the Senate Natural Resources Committee:

Thank your for the opportunity to speak on behalf of Senate Bill 16.

My name is James Deckert, I live near Richey in Dawson County and I address you on behalf of the Northern Plains Resource Council, the Dawson Resource Council, my neighbors and myself.

I wish to establish that our intention is not to stifle energy exploration or development. As farmers we are large volume energy consumers and we understand the importance of decreasing American dependence on foreign oil.

What we desire is a cooperative effort on the part of mineral development companies and surface owners. In eastern Montana sub-surface rights are held by private individuals, the State of Montana, the United States Government, and Burlington Northern Railroad. As a result, much of the development takes place on land with severed mineral rights and the surface owner has very little negotiating power. However, the surface owner must live with the activity, in some cases the inconvenience or risk, and in most cases a disruption of the normal life style which is part of the compensation of being an agricultural producer while receiving very little compensation. In addition to this, when I bought my farm I did not do so with the intention of breaking off little plots here and there. Each well requires roads, in some cases pipe lines, storage tanks, pits, treators, etc. Heavy concentrations of development get in the way of normal farming practices and decrease the over-all value of land.

I would like to see a stronger bill but this one is a step in the right direction. I believe Senate Bill 16 will help foster a climate of equality between the surface owner and the mineral developer and several years down the road the oil companies will find the improved realtions will enhance their efforts to recover gas and oil. I urge you to give Senate Bill 16 a do pass recommendation in its present form.

JAMES DECKERT

I believe our Constitution forbids the taking of another person's property without just compensation-----

This is the principle we address in this SB#16, as mineral developers and producers who enter upon the surface of a land owner, develop their wells and extract the oil and gas to which their mineral estate entitles them, without compensating the surface owner for the property they deprive him of by reason of their operation, are truly taking another person's property without just compensation, contrary to our protection under our Constitution.

We in no way wish to hamper the utilization of our nation's mineral wealth, but we must have the protection of the laws of our land for our property, so we can continue our farming and ranching operations.

Many of the mineral producing companies have of their own volition, recognized the rights of the surface owners, and have done a good job of working with them. It is the " my rights make your rights null and void" type of operators who make this SB#16 necessary.

Rita Henderson

R.T. Bob III

Geoffrey Mendenhall

Mr. Chairman, members of the Committee:

I am Sherill Henderson from Sidney. I am a land and mineral owner in Rickland County. I serve as a director of the NE Montana Land and Mineral Owner,s Association, and also as a State Director of Montana Farm Bureau Federation, representing over 4thousand 5 hundred member families.

The principle of protection for surface owners in mineral development was adopted by Montana Farm Bureau at the State Convention in 1979, and reaffirmed this year, as follows from the Montana Farm Bureau Policy book:

"Montana Farm Bureau shall work for enactment of legislation which will provide for annual arbitrated payments to surface land owners. The annual arbitrated payments are to cover the costs of surface land damages incurred by oil, gas and mineral exploration and development and for loss of agricultural production due to the same exploration and development."

Many landowners in our state who have been severely damaged by the irresponsible among the producers, could not attend this hearing on SB 16, some of them have given me written statements detailing their situation, which Senator Ed Smith, sponsor of SB 16 has on file.

I urge the passage of SB 16, will be open to questions from this committee. Thank you.

Sherill Henderson
Rt. 1 Box 111
Sidney, Mont. 5927

Testimony of Richard Boese - Richey, Mt.
pertaining to Senate Bill 16

During the first part of 1981 - early January - Amoco Oil Co. arrived at my home - without notice - and said we want to build a road through my property for access to a well site just 670 feet beyond the end of my land. The length of the road was one mile. They asked for a 60 ft. right away. Amoco's offer was $8.00 a running rod which amounted to $2560. The number of acres lost is 7.28 acres, which means I would receive $351.65 per acre to retire this land. No damages would be paid for the winter-wheat torn out and the whole harmless clause was excluded - which means - I - the land-owner am liable for any accident or whatever that could happen on this road. Amoco - said - we need your O.K. today as the rig - crew - surveyors etc. are ready to come in tomorrow. I - then - asked for $1 extra per rod - which would add $320 and damages - to my winter-wheat of 35 bu. per acre times $4.50 per bu. yield. Total amount for 2 acres - $315.00. I was turned down - with the words - we will get in there some other way.

Two weeks later - Amoco - returns. They want to know if I'll re-consider. I said - Yes - but under different terms. I asked fo $5.00 a square rod the first year which equals $799.20 per acre los to production and retiring the land plus an annual rental of $3.00 acre which equals $479.52 per acre and should the well be a dry one and they back out of there - our annual rental agreement is null a void. Now - remember I would still own the land - they would pay taxes for its use - I would lose 7.28 acres of land - and producti and this would not improve the land if it went up for sale. Amoco

walked out - saying we will not set a precedent and we will not improve on our first offer - which doesn't even cover what the land would sell for and be in production.

By the same token - the actual well site which is 500 feet square (it was 400 feet square until a recent settlement on 500 feet square held up in Court on the Erickson Well Site near Vida, Mt.) brought - $2,000 for 5.74 acres - or $348 per acre - well below the saleable price. They have set a precedent here - because Well site No. 3 received $3900. This is to prove - that unless words are put on paper etc. - any verbal agreement is worthless. And yet - $3900 equals an $679.44 per acre. This all is a one shot deal - no annual lease of land etc. - or compensation for production loss or taxes, etc.

As you can see - we have no bargaining power at all. In my case - Amoco - is now driving 15 miles from Richey to reach this new well site - imagine the extreme extra cost as against compensating me fairly to have access of only 4 miles from Richey.

We - are not asking for the moon in this bill - we are asking for a chance to get a foot in the door - not for today alone - but that the younger generation in the future, - including my 12 year old twin boys, that they can say - at least our Fathers got their foot in the door - now let's work together and improve on the situation.

I ask this Committee to approve Senate Bill 16 unanimously for when an Oil Company wants your property they don't care whether you are Republican or Democrat.

Westby, Montana 59275
January 23, 1981

Senator Ed Smith
Capitol Station
Helena, Montana 59601

Dear Ed,

This past fall we negotiated with Chevron Oil Company on a settlement for surface damages due to pipeline construction and oil exploration activities. We asked for an annual rental on oil well sites, but were told that Chevron would not pay an annual rental.

We are in support of Senate Bill 16, which would allow the option of an annual rental or a lump sum payment for surface damages caused by oil and mineral development.

Yours truly,

Robert Leininger
Richard Westgard
Maynard Eggen
Laurence Heppner
Edmer Westgard
Marlow N. Eggen
Esther Hansen
Lloyd Jacobs

COMMITTEE ON NATURAL RESOURCES

I am a Rancher in McCone and Prairie counties. At present there is quite a lot of gas and oil activity in the area.

In the 1960's when this area was seismographed the land owners, in many cases, didn't know to what extent theirland was to be used or when they were coming in. Sometimes the surface owners did not even know of the activity until it was completed. If necessary specific examples can be given. This resulted in court cases and hard feelings. Also in some cases surface owners banding together to keep out seismic crews.

Therefore I support Senate Bill #16 as it will "...give the surface owner written notice of the drilling operations that he plans to underta Page 3 Section 3 lines 11-12.

This I feel will eliminate problems and foster better cooperation.

I also like the idea of being able to break the payments into annual instalments.

Thank you for considering my testimony.

David K. Kasten

David K. Kasten
Brockway, Montana
59214

SENATE BILL 16

I am Douglas Johnson, farmer from Sidney, Montana and executive board member of the Montana Farmer's Union, headquarters in Great Falls.

Senate Bill 16 affects our members as they are surface owners and many do not have title to the minerals under their land. This bill would give the surface owner notification of entry and a procedure of assuring just compensation for damages incurred by them.

Many times the surface owner is not included in the site and road selection and often times it can be worked out to a beneficial solution for both parties.

Many times the total operation of the field is disrupted as long as the well site is there and therefore, the surface owner should be compensated in annual installments.

This bill also spells out the liability of the surface owner, the mineral developer and producer, to the mutual benefit of all parties concerned.

Therefore, the Montana Farmer's Union supports SB 16.

Thank you.

Testimony by Russell Denowh
Sidney, Mont.

I am sending this testimony in support of S. B. 16. We need legislation for fair compinsation to land owners, for oil and gas exploration on their property.

I have had a disapointing experience with an oil company exploring for oil on my property. The company's land man contacted me about damages for the site, and asked what I wanted. I told him $2500.00, as I had received $2000.00 for a location in my grass land, they were going to drill in my summerfallowed farm land and I felt it was worth a little more. He told me that he was only authorized to pay $1500.00 for a location, but that he would take it up with his superiors and let me know. I told him they could go ahead and make the location, but I wanted a settlement before they moved the rig on. He said O'K.

About a week went by, they had the location about built, and I still had not heard from him, so I called him. He said he hadn't gotten a chance to speak with his superiors yet, he just kept stalling. About a week after that they started moving the rig on. I went up to speak with the Tool Pusher and asked him if he would come with me to call to try and get my settlement. He said sure and quite moving the rig until after the conversation. In the phone conversation they said they would not pay $2500.00. To try to get along I asked if they would give me $2000.00 like I had received on the other location, They said no. This angered me so I told them to keep the rig off until they made settlement.

It took about 3 days for them to have the necessary papers served on me, so they could move the rig on. Then they sued me for the time they were kept off.

Testimony by Russell Denowh
Sidney, Mont.

At the trial the Judge ruled that being I never had any crop planted in the summerfallow at the time they moved on, I never had any surface damages coming. Because of this ruling, the facts of what actually took place were inadmisable. We could not let the jury know that the whole thing came about over only $500.00. Their lawyers made it look like we tried to rip the company off. They won the judgment. I was to pay them nearly $16,000.00, I threatened to appeal the case and then settled for $5000.00.

I have no minerals under the well, I have never received any surface damages, I pay the taxes on the land, and they can be there for 50 years if the well lasts that long.

Oil companys have been using this case as leverage over other farmers in the area. I have visited with several of them that told me this.

Garfield - McCone Legislative
Circle, Montana 59215
Phone (406) 485-222

Jan. 26, 19[illegible]

SB (16)

Mr. CHAIRMAN AND COMMITTEE MEMBERS I AM GLEN C. CHILDERS, PRESIDENT OF GARFIELD McCONE LEGISLATIVE ASSN., AN ORGANIZATION OF APPOROX. SIXTY TWO AGRICULTURAL MEMBERS, AND I AM AUTHORIZED BY THE BOARD OF DIRECTORS TO TESTIFY IN THEIR BEHALF.

DUE TO PAST SURFACE DAMAGES AND LIVESTOCK DAMAGES CREATED BY PAST EXPLORATION FOR BOTH OIL AND GAS WITH NO JUST COMPENSATION TO THE LAND OWNER BY SOME EXPLORATION COMPANIES THE GARFIELD-McCONE LEGISLATIVE ASSN. STRONGLY ENDORCES SB (16).

RESPECTIVELY SUBMITTED,

GLEN C, CHILDERS, PRES.

HEARING ON SB 16

(SMITH)

Notice of Intent & Damage Rental

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

I am Larry Tveit, Senator, District #27. This bill, like Senator Smith says, addresses two points of major concern with surface owners. The problems being encountered are:

1. Notice of intent to drill. Some oil companies or operators have shown that they have no consideration for the land or surface owner. They drive the stake, dirt moving equipment is standing by the field, and the surface owner wonders what is going on. A surface owner should be notified in advance so he or she can evaluate the situation, so he can discuss with the operator in advance, ways in which to enter the land, not only to disturb the least amount of surface but, also, pointing out to the developer ways to reach that stake (where the well is to be dug) for the operator's benefit.

2. The other part of the bill addresses the damages due to loss of production disturbance of land -- land taken out of production and road right-of-ways. Several companies, not all companies, are not willing to negotiate fair compensation for these damages. They tell surface owners we have the right to come on your land and, if we feel like it, we'll pay you something.

I'm not standing here in an attempt to harrass oil companies and operators. Over the past two years, I've had a good relationship with four oil companies. The companies and myself have discussed the problems at the beginning. We both understand the concerns.

I have annual rental agreements with the last two companies that I have dealt with, so it is being done by some companies now. Both sides agreed that the annual compensation was fair and equitable. Everything is in writing.

I believe the oil companies, surface and mineral owners, must work together. They must be able to communicate with one another, and I know of no better way than to start communication between two people is to begin the right way. The oil companies I've dealt with told me, we want to be fair. This bill addresses those concerns, and I urge the committee to give a DO PASS on SB 16.

Thank you.

NAME Jo Brunner BILL No. ~~SX~~ SB 16

ADDRESS 531 South Oakes- Helena DATE 3/4

WHOM DO YOU REPRESENT Women Involved in Farm Economics

SUPPORT x OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Mr. Chairman, members of the committee, my name is Jo Brunner and I represent Women Involved in Farm Economics. We wish to go on record today as being in support of SB 16. We feel that not only agriculture but the mineral developers will benefit from this bill. Many times, we will be able to move our livestock out of a field, to turn off our sprinklers or water, perhaps to ask the developers to wait a few days until the fields dry before moving in with their heavy machinery, and thus eliminate a tremendous amount of damage to our lands, much of it irrepairable.

If such cooperation is not possible, or is not participated in by the developers, we feel ~~the~~ we need ~~for~~ protection for our crops and our lands.

Certainly, it would be better for all if such legislation were not necessary, human nature being what it is and business being what it is though, we ask that you pass SB 16.

Thank you.

FORM CS-34
1-81

MINUTES OF THE MEETING OF THE NATURAL RESOURCES COMMITTEE
MARCH 13, 1981

The House Natural Resources Committee convened in Room 437 of the Capitol Building on Friday, March 13, 1981, at 12:40 p.m. with CHAIRMAN DENNIS IVERSON presiding and fourteen members present (REPS. BURNETT, NORDTVEDT, and HARP were absent and REP. QUILICI was excused).

EXECUTIVE SESSION SENATE JOINT RESOLUTION 11 REP. MUELLER moved BE CONCURRED IN.

REP. CURTISS said that in districts where there have not been large fires recently the staff has been cut back. These funds will help those areas.

The motion PASSED with REPS. ROTH and SALES opposing.

SENATE BILL 80 REP. SALES moved BE CONCURRED IN.

REP. SHELDEN asked if this type of operation is confined to private land. REP. MUELLER said he knew of one peat operation on forest land and that a permit was needed from the Forest Service.

REP. KEEDY said he was not certain as to why the Small Miner's Exclusion does not apply. These are supposedly small operations within the five-acre limit. REP. MUELLER replied that some of the operations are nearing the limit.

CHAIRMAN IVERSON said that peat does grow and replace itself while gravel and sand do not; therefore, peat mining does not belong under that type of reclamation either. REP. ROTH stated that when peat is removed a lake forms and so it would take a very long time for the peat to grow back.

The motion BE CONCURRED IN PASSED unanimously.

SENATE BILL 16 REP. ROTH moved BE CONCURRED IN.

REP. KEEDY presented some amendments he felt might improve the bill. See Exhibit 1. He explained the first amendment deals with an effective date and that there is not a reason for a June 1 effective date.

The second amendment would mean the landowner would have to have reasonable notice rather than perhaps only a day or so.

The third one was presented because it is unclear what a landowner can do regarding compensation. It should be determined whether legal recourse is available under some circumstances.

The fourth amendment regarding attorney fees and court costs is the same type of language used in condemnation proceedings.

REP. SALES moved the amendments but after some discussion stating that the amendments were discussed in the Senate and caused a lot of problems, he withdrew his motion.

The motion BE CONCURRED IN PASSED with REPS. BROWN and BERTELSEN opposing.

SENATE BILL 278 REP. SALES moved BE CONCURRED IN.

REP. MUELLER said he could understand the concerns of the industry on the specifics but looking at the history of the department in handling this section, it has not been abused.

REP. BERTELSEN opposed the motion saying the subsection provides the Department of State Lands with a needed tool in gold dredging and uranium mining also. There is just not a dollar value on everything. He then provided a substitute motion of BE NOT CONCURRED IN.

REP. HART mentioned only 150 acres have been involved whereas over 22,000 acres have received permits.

REP. HUENNEKENS supported the substitute motion saying he understood subsection (b) and that it is perfectly clear. History says it will be used sparingly, if at all.

REP. SALES said the state does not use just that section but uses others as well to support it.

REP. BROWN asked how hydrology comes into this. DEBBIE SCHMIDT, staff researcher, said when drainage problems occur and an area cannot be returned to its former quality. Drainage in fragile areas is of unique importance.

REP. BROWN said he felt subsection (c) could be used or perhaps a federal act would help the hydrology problems.

MS. SCHMIDT said subsection (c) referred to a situation that would trigger a reaction that could not be put back due to a temporary suspension of quality.

REP. CURTISS said she opposed the substitute motion because she felt the department wanted to be able to use more than one section.

REP. MUELLER felt it was a matter of interpretation whether one thinks this section is necessary or not.

REP. HART asked what the problem was with the proponents of the bill. If it means nothing, why not leave it in.

EXHIBIT 1

Proposed Amendments to SB 16, 3rd reading copy

1. Title, lines 10 and 11.
Following: "CONDITIONS"
Strike: "AND PROVIDING AN EFFECTIVE DATE"

2. Page 3.
Following: line 17
Insert: "reasonable"

3. Page 5, line 20.
Following: "compensation"
Insert: "under [sections 4 or 6]"

4. Page 6, line 3.
Following: "~~court~~"
Insert: "When the surface owner prevails by receiving an award greater than the final offer of the oil and gas developer or operator, the court shall award the surface owner reasonable attorney fees and any costs assessed by the court."

5. Page 6, lines 13 and 14.
Following: line 12
Strike: section 11 in its entirety

SENATE BILL NO. 16

INTRODUCED BY SMITH

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE ~~MINERAL~~ OIL AND GAS DEVELOPERS OR OPERATORS TO GIVE WRITTEN NOTICE TO SURFACE OWNERS OF INTENT TO BEGIN DRILLING OPERATIONS; TO REQUIRE ~~MINERAL~~ OIL AND GAS DEVELOPERS AND OPERATORS TO COMPENSATE SURFACE OWNERS FOR DAMAGES CAUSED BY DRILLING AND PRODUCTION OPERATIONS; AND TO ALLOW SUCH COMPENSATION TO BE MADE IN ANNUAL INSTALLMENTS UNDER CERTAIN CONDITIONS AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Purpose -- legislative findings. (1) The purpose of [this act] is to provide for the protection of surface owners of land underlain with oil and gas reserves while allowing for the necessary development of those reserves.

(2) To carry out the purpose described in subsection (1), the legislature finds that:

(a) it is necessary to ~~exercise the power of the state to protect the public welfare of Montana, which is largely dependent on agriculture, and to~~ protect the economic well-being of individuals engaged in agricultural production;

(b) exploration for and development of oil and gas reserves in this state, while necessary, interferes with the use, agricultural or otherwise, of the surface of certain land; and

(c) owners of the surface estate ~~and other persons~~ should be justly compensated for ~~injury to their persons or~~ USE OF THEIR property and interference with the use of their property due to oil and gas development.

Section 2. Definitions. As used in [this act], the following definitions apply:

(1) "Agricultural production" means the production of any growing grass ~~or crop~~, CROPS, OR TREES attached to the surface of the land, ~~whether or not the grass or crop is to be sold commercially, and the production of any~~ OR farm animals, ~~whether or not the animals are to be sold commercially~~ WITH COMMERCIAL VALUE.

~~(2) "Board" means the board of oil and gas conservation provided for in 2-15-3303.~~

~~(3)~~(2) "~~Drilling~~ OIL AND GAS operations" means the exploration for or drilling of an oil and gas well that requires entry upon the surface estate and is begun subsequent to [the effective date of this act] and the production operations directly related to the exploration or drilling.

~~(4)~~(3) "~~Mineral~~ OIL AND GAS developer OR OPERATOR"

REFERENCE BILL

means the person who acquires the ~~mineral estate or~~ OIL AND GAS lease for the purpose of extracting ~~or using the minerals for nonagricultural purposes~~ OIL AND GAS.

~~(5)~~(4) "~~Mineral~~ OIL AND GAS estate" means an estate in or ownership of all or part of the ~~minerals~~ OIL AND GAS underlying a specified tract of land.

~~(6) "Minerals" means oil and gas.~~

~~(7) "Surface estate" means an estate in or ownership of the surface of a particular tract of land.~~

~~(8)~~(5) "Surface owner" means the person who ~~has possession of~~ HOLDS RECORD TITLE TO OR HAS A PURCHASER'S INTEREST IN the surface of the land ~~either as an owner or as a tenant~~.

Section 3. Notice of drilling operations. In addition to the requirements for geophysical exploration activities governed by Title 82, chapter 1, part 1, the ~~mineral~~ OIL AND GAS developer OR OPERATOR shall give the surface owner written notice of the drilling operations that he plans to undertake. This notice shall be given to the record surface owner at his address as shown by the records of the county clerk and recorder at the time the notice is given. This notice shall sufficiently disclose the plan of work and operations to enable the surface owner to evaluate the effect of drilling operations on the surface owner's use of the property. ~~Included with this notice shall be a form~~

~~prepared by the board advising the surface owner of his rights and options under [this act].~~

Section 4. Surface damage and disruption payments. The ~~mineral~~ OIL AND GAS developer OR OPERATOR shall pay the surface owner a sum of money OR OTHER COMPENSATION equal to the amount of damages sustained by the surface owner for loss of agricultural production and income, lost land value, and lost value of improvements caused by drilling operations. The amount of damages may be determined by any formula mutually agreeable between the surface owner and the ~~mineral~~ OIL AND GAS developer OR OPERATOR. When determining damages, consideration shall be given to the period of time during which the loss occurs. The surface owner may elect to be paid damages in annual installments over a period of time; except that the surface owner shall be compensated by a single sum payment for harm caused by exploration only. The payments contemplated by this section may only cover land directly affected by drilling operations AND PRODUCTION. Payments under this section are intended to compensate the surface owner for damage and disruption; no person may reserve or assign that compensation apart from the surface estate except to a tenant of the surface estate.

Section 5. Damages ~~for negligence and nuisance~~. The ~~mineral~~ OIL AND GAS developer OR OPERATOR is responsible for all damages to ~~person or~~ property, real or personal,

resulting from the lack of ordinary care by the ~~mineral~~ OIL AND GAS developer OR OPERATOR. The ~~mineral~~ OIL AND GAS developer OR OPERATOR is ~~also~~ responsible for ~~all~~ damages to ~~person--or~~ property, real or personal, ~~resulting from a nuisance~~ caused by drilling operations AND PRODUCTION.

Section 6. Notification of injury TO PROPERTY. To receive compensation under [this act], a ~~person~~ SURFACE OWNER shall ~~notify~~ GIVE WRITTEN NOTICE TO the ~~mineral~~ OIL AND GAS developer OR OPERATOR of the damages sustained by the ~~person~~ SURFACE OWNER within 2 years after the injury occurs or would become apparent to a reasonable man.

Section 7. Agreement -- offer of settlement. Unless both parties provide otherwise by written agreement, within 60 days after the ~~mineral~~ OIL AND GAS developer OR OPERATOR receives notice of damages pursuant to [section 6], he shall make a written offer of settlement to the person seeking compensation for the damages. The ~~person~~ SURFACE OWNER seeking compensation may accept or reject any offer.

Section 8. Rejection -- legal action ~~----fees--and costs~~. If the person seeking compensation receives a written rejection, rejects the offer of the ~~mineral~~ OIL AND GAS developer OR OPERATOR, or receives no reply, that person may bring an action for compensation in the district court of the county in which the damage was sustained. ~~If the amount of compensation awarded by the court is--greater--than--that~~

~~which--had--been-offered-by-the-mineral-developer, the court shall--award--the--person--seeking--compensation--reasonable attorney-fees-and-any-costs-assessed-by-the-court.~~

Section 9. Remedies cumulative. The remedies provided by [this act] do not preclude any person from seeking other remedies allowed by law.

Section 10. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

SECTION 11. EFFECTIVE DATE. THIS ACT IS EFFECTIVE ON JUNE 1, 1981.

-End-